

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

LASERDYNAMICS \* Civil Docket No.  
\* 2:06-CV-348  
VS. \* Marshall, Texas  
\*  
\* June 30, 2009  
QUANTA, ET AL \* 1:15 P.M.

TRANSCRIPT OF TRIAL PROCEEDINGS  
BEFORE THE HONORABLE T. JOHN WARD  
UNITED STATES DISTRICT JUDGE  
AND A JURY

APPEARANCES :

FOR THE PLAINTIFFS:

MR. THOMAS SANKEY  
MR. GREGORY LUCK  
Duane Morris  
3200 Southwest Freeway  
Suite 3150  
Houston, TX 77027

MR. TIMOTHY TROP  
Trop Pruner & Hu  
1616 South Voss Road  
Suite 750  
Houston, TX 77057

MR. JEFFREY RAMBIN  
Capshaw DeRieux  
1127 Judson Road  
Suite 220  
Longview, TX 75601

APPEARANCES CONTINUED ON NEXT PAGE:

COURT REPORTERS: MS. SUSAN SIMMONS, CSR  
MS. JUDY WERLINGER, CRS  
MS. SHELLY HOLMES  
Official Court Reporters  
100 East Houston, Suite 125  
Marshall, TX 75670  
903/935-3868

(Proceedings recorded by mechanical stenography,  
transcript produced on CAT system.)

1 APPEARANCES CONTINUED:

2  
3 FOR THE DEFENDANTS:

MR. MELVIN WILCOX  
Yarbrough & Wilcox  
100 East Ferguson  
Suite 1015  
Tyler, TX 75702

6 MR. JOHN PARKER  
Paul-Hastings  
7 600 Peachtree St., NE  
Suite 2400  
8 Atlanta, GA 30308

9 MR. CHRISTIAN PLATT  
MS. ERICKA SCHULZ  
10 Paul-Hastings  
4747 Executive Drive  
11 12th Floor  
San Diego, CA 92121

12 MS. KATHERINE MURRAY  
MR. JAY CHIU  
13 Paul-Hastings  
515 South Flower Street  
14 25th Floor  
15 Los Angeles, CA 90071

16 \* \* \* \* \*

17 P R O C E E D I N G S

18  
19 COURT SECURITY OFFICER: All rise.

20 (Jury in.)

21 THE COURT: Please be seated.

22 All right. Mr. Kamatani, please come  
23 around. Let's continue.

24 Counsel, approach -- have a seat,  
25 Mr. Kamatani.

1 Counsel, approach.

2 (Bench conference.)

3 THE COURT: Okay. Y'all saw that order  
4 that Judge Everingham issued.

5 MR. SANKEY: Yes, sir.

6 THE COURT: Going to put the prosecution  
7 history back up there without approaching, okay?

8 MR. PARKER: Yes, sir.

9 THE COURT: Thank you.

10 MR. SANKEY: Your Honor, with respect to  
11 that --

12 THE COURT: Huh?

13 MR. SANKEY: With respect to that on  
14 redirect, I had planned on bringing up that issue, just  
15 the very simple issue that we were going into.

16 THE COURT: What do you want to clean up?

17 MR. SANKEY: Simply that they asked for a  
18 reexamination. They put the issue in front of the  
19 Patent Office, and the Patent Office has issued a letter  
20 now saying they were going to reconfirm the  
21 patentability of Claim 3.

22 THE COURT: Well, don't go any further  
23 than that.

24 MR. SANKEY: That's it.

25 THE COURT: Then from here on, do you

1 have to even put it back up there? Do you want to leave  
2 it up there?

3 MR. SANKEY: I would really like to.

4 THE COURT: Okay. You know, if you go  
5 any further than that, you know, then you may be opening  
6 up something else.

7 MR. SANKEY: I understand.

8 THE COURT: Okay.

9 MR. SANKEY: I understand.

10 (Bench conference concluded.)

11 YASUO KAMATANI, PLAINTIFF'S WITNESS, SWORN

12 CROSS-EXAMINATION (CONTINUED)

13 BY MR. PARKER:

14 Q. Good afternoon, Mr. Kamatani.

15 A. Good afternoon, Mr. Parker.

16 Q. You remember that in some questioning from  
17 Mr. Sankey this morning, he asked you about how many  
18 people were making optical disk drives today, and you  
19 said hundreds?

20 A. More or less, that's my understanding.

21 Q. All right. And yet even by your count, the  
22 most licenses you have out there are 27, right?

23 A. Of course. It depend upon the license to some  
24 company based upon different patent, but I do have 27  
25 agreements so far.

1 Q. But that's not hundreds?

2 A. No.

3 Q. Okay. And even as we sit here today, you do  
4 not have a single agreement where anybody is paying for  
5 the '981 patent a running royalty; is that correct?

6 A. That's correct.

7 MR. PARKER: Pass the witness.

8 MR. SANKEY: A few follow-up questions,  
9 Your Honor.

10 THE COURT: Yes.

11 REDIRECT EXAMINATION

12 BY MR. SANKEY:

13 Q. Good afternoon, Mr. Kamatani.

14 A. Good afternoon, Mr. Sankey.

15 Q. We talked about some of your documents that  
16 you kept back in Japan and the timeframe that you were  
17 applying for this patent in the '95/'96 timeframe. And  
18 you said, for example, with your diary and some of the  
19 notes you were taking that you still don't have those --  
20 you don't have those documents today, correct?

21 A. I wish to have it, but I don't have it.

22 Q. Now, with respect to the patent history, the  
23 file that -- everything that you sent to the United  
24 States Patent Office and everything they sent back to  
25 you, that file everyone has, correct?

1           A.     That's correct.

2           Q.     And you kept a copy of that; the Patent Office  
3 kept a copy of that; and we've all had an opportunity to  
4 see that file, correct?

5           A.     That's correct.

6                     MR. SANKEY: Now, if we can put the  
7 timeline back up again, please.

8           Q.     (By Mr. Sankey) One of the questions that Mr.  
9 Parker had for you was that at the time in 1995 that you  
10 were filing your patent application, there weren't any  
11 standards yet on DVDs or slim drives or different types  
12 of optical disk drives, correct?

13          A.     I do believe that there was no DVD standard at  
14 the time of the -- I file application in 1995.

15          Q.     By 2006, the red line when you filed the  
16 lawsuit against these Defendants, there were standards,  
17 weren't there?

18          A.     They do have standard, yes.

19          Q.     And your technology, your patent covered by  
20 the '981, distinguishes between those different  
21 standards, correct?

22                     MR. PARKER: Objection, leading.

23                     THE COURT: Sustained.

24          A.     That's correct.

25                     THE COURT: Sustained.

1 Q. (By Mr. Sankey) Let me reask the question.

2 Does your patent and does your technology  
3 distinguish between the standards that are in existence  
4 in 2006?

5 A. That's correct.

6 Q. Now, the 16 licenses agreements that we went  
7 through are all up on this timeline, the vast majority  
8 being in the '98/'99 timeframe; is that correct?

9 A. That's correct.

10 Q. Now, I suggested or predicted in opening that  
11 that would be a focus of the Defendants' case to get you  
12 on that timeframe.

13 Were any of those 16 agreements done from the  
14 time 2003 that you first met with QSI -- 2002/2003/4,  
15 were any of them done after that period of time?

16 A. Well, I don't have any idea.

17 Q. I mean, in the 16 that they went over here in  
18 the '98/'99 timeframe, those were done four or five  
19 years prior to the timeframe when you would have been  
20 dealing with the Defendants, correct?

21 A. That's correct.

22 Q. All of these 16 companies that we looked at,  
23 did they recognize the need to get a license agreement  
24 from you in order to practice your technology?

25 A. First of all, most of the company on that

1 list, they didn't make any DVD product yet when they  
2 took my license. So, of course, when I -- sometimes I  
3 speak to the different executives of those licensees, I  
4 heard something like they are -- they are going to  
5 make -- they are going to make DVD product or they don't  
6 have any plan. It depend upon each company.

7 Q. None of the Defendants have ever entered into  
8 an agreement with you, correct?

9 A. That's right.

10 Q. Whether it's a non-assertion agreement or a  
11 license agreement?

12 A. I think both.

13 Q. We heard about a reexamination of your patent.  
14 When -- when did that occur; what year?

15 A. I don't remember correct, if it was last year  
16 or two years ago.

17 Q. Okay. So in 2008, why was there a  
18 reexamination? Who requested it?

19 A. Well, I believe that's the Defendant Quanta  
20 Storage, Incorporation, or Quanta Computer,  
21 Incorporation.

22 Q. So 12 years after your patent was issued, the  
23 Defendants asked the Patent Office, the United States  
24 government, to take a look at your patent again and see  
25 if they made the right decision the first time, correct?



1           A.     That's correct.

2           Q.     Now, you hired and had attorneys representing  
3 you in dealing with the government, correct?

4           A.     That's correct.

5           Q.     Did the Defendants bring up -- is it your  
6 understanding what you were shown by Mr. Parker, this  
7 S-curve technology, with the Patent Office?

8           A.     Well, that's the first time I heard about the  
9 S-curve technique.

10          Q.     And is that something -- is it your  
11 understanding that that was brought to the attention of  
12 the Patent Office?

13          A.     Well, it was brought by my -- my attorneys.

14          Q.     Now, at the end of 2008, did the United States  
15 Patent Office send your lawyers and you a letter saying  
16 that Claim No. 3 is going to be confirmed patentable?

17          A.     I think I heard that information.

18                   MR. SANKEY:  Nothing further.

19                   THE COURT:  Anything further, Mr. Parker?

20                   MR. PARKER:  Nothing further, Your Honor.

21                   THE COURT:  All right.  You may step  
22 down, Mr. Kamatani.

23                   Who will be your next witness,  
24 Mr. Sankey?

25                   MR. SANKEY:  Your Honor, I would call

1 Tracy Li.

2 (Witness sworn.)

3 TRACY LI, PLAINTIFF'S WITNESS, SWORN

4 DIRECT EXAMINATION

5 BY MR. SANKEY:

6 Q. Would you state your name for the record,  
7 please, ma'am.

8 A. My name is Tracy Li, and Chinese name is Li  
9 Cho Hua (phonetic spelling).

10 Q. Ms. Li, which of the Defendant entities do you  
11 work for?

12 A. Quanta Computer, Inc.

13 Q. Okay. And it's my understanding that Quanta  
14 Computer, Inc., is headquartered in Taiwan; is that  
15 correct?

16 A. Correct.

17 Q. Do they have -- it's my understanding their  
18 manufacturing facilities are located in China.

19 A. Yes.

20 Q. And those are subsidiaries of QCI with the  
21 names of Tech-Front and Tech-Pro; is that correct?

22 A. Yes, Tech-Front.

23 And which one, Tech?

24 Q. Tech-Pro.

25 A. Tech-Pro? Yes.

1 Q. Now, there's a company called Quanta Storage  
2 that you're familiar with; is that right?

3 A. Yes.

4 Q. Quanta Storage is the entity that's making  
5 drives, correct?

6 A. Correct.

7 Q. And you agree with me that Quanta Computer  
8 will put a Quanta -- a Quanta Storage drive into their  
9 computer before it is sold, correct?

10 A. If our customer ask us to do it, yes.

11 Q. And you understand and you know that that's a  
12 curve, right?

13 A. That -- yes.

14 Q. Okay. And that computer is then sold and/or  
15 shipped to the United States, correct?

16 A. Some computer our customer ask us to ship to  
17 U.S., yes.

18 Q. Now, Quanta Storage is also a company located  
19 in Taiwan, correct?

20 A. Yes.

21 Q. And they have their manufacturing facilities  
22 located in China.

23 A. I think so.

24 Q. Okay. And you understand the name of that  
25 subsidiary is called QSS, Quanta Storage-Shanghai?

1 A. Yes.

2 Q. And they're located in the same location as  
3 the Tech-Pro or the Tech-Front that's manufacturing the  
4 computers for QCI.

5 A. They located in Shanghai, I believe.

6 Q. Let me talk about some of QCI's customers.

7 MR. SANKEY: And if we can pull up the  
8 first page of Exhibit 952.

9 Q. (By Mr. Sankey) One of QCI's customers here in  
10 the United States is Dell; is that correct?

11 A. Yes.

12 MR. SANKEY: Let's see if we can get that  
13 contract up here in a second.

14 Okay. If we can enlarge maybe the title  
15 of it there.

16 Q. (By Mr. Sankey) All right. And do you  
17 recognize this Exhibit 952 as the agreement between  
18 Quanta Computer and Dell?

19 A. Yes.

20 Q. And this agreement was entered into as early  
21 as 1997, where Quanta Computer is manufacturing laptops  
22 for Dell; is that correct?

23 REDACTED BY ORDER OF THE COURT

24 Q. Okay. Let's look at the first page of  
25 Plaintiff's Exhibit 953.

1           This one is a little bit more difficult to  
2 tell, but do you recognize this as the agreement that  
3 Quanta Computer has with HP or Hewlett-Packard?

4           A.     Yes.

5           Q.     And similarly, Quanta Computer is making  
6 laptops for Hewlett-Packard, correct?

7           A.     Yes.

8           Q.     And these -- just for the first two, we talked  
9 about Dell and HP, these laptop computers are going to  
10 have optical disk drives in them when they are sent to  
11 the United States, correct?

12          A.     Not really. Some of them, yes, but some of  
13 them not.

14          Q.     So there are one or two -- there are some  
15 brands that may not have an optical disk drive?

16          A.     I'm sorry?

17          Q.     Are there some brands that may not have or  
18 some laptop computers that may not have an optical disk  
19 drive? Is that what you're saying?

20          A.     Yes. Our client, our customer, they do not  
21 want us to put the ODD in, then no.

22          Q.     You understand by, say, 2006 almost all of  
23 laptop computers and desktop computers have an optical  
24 disk drive in it; is that correct?

25          A.     I don't understand your question. You mean in

1 the market or --

2 Q. I'm talking about the computers that Dell and  
3 HP is ordering from Quanta Computer. The vast majority,  
4 if not all, of those, as of 2006 or even today, are  
5 going to have an optical disk drive in it, correct?

6 A. You mean HP?

7 Q. Yes.

8 A. Yes, I believe so.

9 Q. And that's the same with respect to Dell?

10 A. Probably not.

11 Q. Let's look at the first page of  
12 Plaintiff's 950.

13 MR. SANKEY: And if we can get maybe the  
14 title of this.

15 Q. (By Mr. Sankey) Is this the contract entered  
16 into between Quanta Computer and Apple Computer?

17 A. Yes.

18 [REDACTED]

19 [REDACTED] **REDACTED BY ORDER OF THE COURT**

20 [REDACTED]

21 Q. Similarly, your company's going to manufacture  
22 laptop computers and send them to Apple with an optical  
23 disk drive in it, if that's what they want, correct?

24 A. I'm sorry. Can you repeat your question?

25 Q. Yes, ma'am.

1           Your company is going to manufacture laptop  
2 computers for Apple, and to the extent they want an  
3 optical disk drive in it, they are going to put one in  
4 it, correct? Your company will?

5           A.    If they want us to put it in, yeah, we will.  
6 Well, install of the ODD into the computer, yes.

7           Q.    And then that drive or that computer with the  
8 drive in it is shipped by your company to the United  
9 States?

10          A.    If they want us to ship to the United States,  
11 yes.

12          Q.    Then you do that?

13          A.    Then we will do that.

14          Q.    And since 1999, you've been doing that?

15          A.    Yeah. Yeah.

16          Q.    Now, if we take a quick look at first page of  
17 Exhibit 951, again, this is another contract or a more  
18 recent contract between Quanta Computer, Inc., and  
19 Apple; is that correct?

20          A.    Yes, I believe so.

21          Q.    Now, this contract with Apple was done in  
22 November of 2006.

23                   Is that your understanding?

24          A.    I saw the final -- does it say final over  
25 there? Are you talking about that?

1 Q. Let me see if we can find the page that has  
2 that.

3 Do you recall your company entering into an  
4 agreement in late 2006?

5 There is a signature page. It's dated  
6 November 10th of 2006.

7 A. No, I do not see anything.

8 Are you showing me anything?

9 Q. Well, let me just put it up here on the ELMO.  
10 This is the signature page.

11 A. Okay. Yes.

12 Q. Okay. Now, this contract with Apple was  
13 entered into about three months after LaserDynamics  
14 filed the lawsuit against Quanta Computer and Quanta  
15 Storage.

16 Do you know why you entered into a new  
17 contract when you had one in place from 1999 with Apple?

18 A. This contract actually negotiated for a long  
19 time, because I remember that, because the first  
20 contract actually was expired. Then we -- I remember we  
21 start to negotiate with Apple from probably 2003 or  
22 2004. That is in that time, and -- but it take a long  
23 time to negotiate.

24 So that -- I don't quite -- that's in 2006,  
25 something we sign it, right?



1 Q. Yes, ma'am.

2 A. Yeah. But before, actually, we took lots of  
3 time to discuss about the agreement.

4 Q. And you brought up a good point that I forgot  
5 to have you tell the jury.

6 But you know that, because you work in the  
7 Legal Department at Quanta Computer, Inc., correct?

8 A. Correct.

9 Q. And how long have you worked in the Legal  
10 Department for Quanta Computer, Inc.?

11 A. Seven years.

12 Q. Did you attend law school here in the United  
13 States?

14 A. I attend law school, yes, in the United States  
15 for degree.

16 Q. Now, with respect to these contracts that  
17 Quanta Computer, Inc., has with these notebook/laptop  
18 companies, those contracts would require QCI to  
19 constantly provide support to those entities, correct?

20 A. I'm sorry. Can you repeat your question?

21 Q. Yes, ma'am.

22 Did the contracts require QCI to provide  
23 support to those entities?

24 A. To what?

25 Q. To the entities, to Dell and -- to Dell --

1 Dell and Apple and HP?

2 A. Yeah. We provide assembly service for this  
3 brand of companies.

4 Q. And it's my understanding that the way your  
5 company is set up is by notebook divisions; is that  
6 correct?

7 A. Yeah. We have different business unit for the  
8 notebook.

9 Q. And, for example, NB1, Notebook 1, is the  
10 section of your company that's set up just to handle  
11 Dell, correct?

12 A. Yes.

13 Q. How many employees or people would work in  
14 NB1?

15 A. NB1, currently, I think is about 200. I don't  
16 have the accurate number.

17 Q. And those employees in NB1 are working with  
18 Dell on a daily basis, are they not?

19 A. Not -- of course, not everybody of them. Some  
20 of them, I believe so.

21 Q. Do they meet with Dell's technical people?

22 A. I believe so.

23 Q. Do they meet with them to discuss new products  
24 that are coming out or new, different types of laptops  
25 that are coming out?

1 A. I believe so.

2 Q. Do they meet --

3 A. Because I -- I do not really, you know,  
4 participate in those. So I can only say I believe so.

5 Q. Do they meet with them to discuss what type of  
6 components they want in their laptops, for example,  
7 whether they want an optical disk drive?

8 A. Yeah.

9 Q. Do they meet with any of these entities in the  
10 United States?

11 A. Yes.

12 Q. Do they assist them in not only designing but  
13 in the specifications that they come up with for the  
14 computer and for the drive?

15 A. Would you say again?

16 Q. Does a QCI engineer work with a Dell engineer  
17 in coming up with the products?

18 A. Yes, I believe so.

19 Q. In fact, QCI has a subsidiary located here in  
20 America, correct?

21 A. Quanta Computer has, yes, subsidiary.

22 Q. And that's one of the Defendants in this case  
23 called, QCA?

24 A. Quanta Computer USA, yes.

25 Q. How many employees approximately does QCA

1 have?

2 A. I don't know. I don't have the clear  
3 information.

4 Q. Is it your understanding they have 2 or 300  
5 employees?

6 A. Yes, I think. Maybe.

7 Q. What is the business of QCA?

8 A. Quanta Computer USA, they do service.

9 Q. They service the computers?

10 A. Service our clients in USA.

11 Q. And so, for example, if Dell has a customer  
12 and their laptop or their drive in their laptop stops  
13 working, would they bring it to QCA for warranty or for  
14 repair?

15 A. I don't -- I don't know if it's special work  
16 our clients want us to do, and I don't -- I don't -- I  
17 don't think -- if you're talking about Dell, I don't  
18 think they -- they want us to do any service in Quanta  
19 Computer USA. I don't think that's the case.

20 Q. All right. You bring up a good point.

21 Quanta Computer America used to do service for  
22 Dell, but they no longer do. They stopped doing that in  
23 2003/2004 timeframe; is that right?

24 A. I don't know. I don't have that information.

25 Q. Okay.

1 A. I'm not prepared for that.

2 Q. They continue to do service today for HP and  
3 Apple, correct?

4 A. Yes, that's my understanding.

5 Q. Okay. And, again, to the extent an optical  
6 disk drive stops working and the customer takes it to  
7 QCA, is it repaired or replaced there?

8 A. For HP, the case how they do their service?

9 Q. How QCA is doing the service, yes, ma'am.

10 A. From my understanding, if our customer asks  
11 Quanta Computer USA to do the service, then we -- our  
12 customer will tell us if they have computer problem.  
13 They will ship to Quanta USA, then they will maybe --  
14 depends on what their problem, then they might do --  
15 they will exchange the components, something like that.

16 That's the service they do.

17 Q. Similarly, it's my understanding that QCA, in  
18 addition to dealing with HP or Apple, also takes  
19 walk-ins, end-users like me. If my computer were to  
20 break and I had one from Dell, I could walk into QCA and  
21 have them repair or replace the drive; is that correct?

22 A. I don't think so.

23 Q. Do you know one way or the other?

24 A. I don't think an individual can just walk into  
25 QCA to ask for service. I don't think Quanta Computer

1 USA is open to everybody. We only do service for our  
2 customers.

3 Q. And when you say that, is it actually Dell --  
4 I mean, is it actually HP that would bring the laptop  
5 into QCA, or would their end-user bring it in?

6 A. Well --

7 Q. Who would actually bring the computer to QCA  
8 to have it repaired or serviced?

9 A. Normally, they will have their order to -- to  
10 get to the computer. They deliver to Quanta Computer,  
11 Quanta Computer USA.

12 Q. And would it be coming from the end-user that  
13 has bought that computer and is using it in the United  
14 States?

15 A. It's possible probably. They send a messenger  
16 to an individual and get to the computer, then deliver  
17 to Quanta Computer USA. That's my understanding of  
18 their model.

19 Q. Do you have an understanding of why end-users  
20 want to have an optical disk drive in their computer?

21 A. Why they want to have the ODD in their  
22 computer?

23 Q. Yes, ma'am.

24 A. I don't know. They might like to see a movie  
25 or stuff.

1 Q. And that's my point. The purpose of that  
2 drive in the computer is so that the end-user can use it  
3 by playing a movie or playing music, correct?

4 A. Yeah.

5 Q. And you understand that they're doing that?

6 A. I don't -- I don't know what the end-user will  
7 do with the ODD.

8 Q. Do you have a laptop computer?

9 A. I do.

10 Q. Does it have an ODD in it?

11 A. Yes.

12 Q. Did you bring it with you on this trip?

13 A. This trip, yes.

14 Q. And have you used it since you've been here?

15 A. No -- you mean the computer? Yes.

16 Q. How about the optical disk drive?

17 A. No.

18 Q. Have you ever used it while you were here in  
19 the United States?

20 A. Have I used it?

21 Q. Yes, ma'am.

22 A. I don't remember. I seldom use it.

23 Q. The drivers you receive from QCI -- and I want  
24 to make sure you agree with your counsel on this.

25 Is it your position that QCI is a separate

1 company?

2 A. Yes, they are separate company.

3 Q. Is it your position that QCI does not control  
4 QSI?

5 A. Yes, that's my position.

6 Q. We will get back to that issue here in a  
7 little bit.

8 Are there drives sent directly from the  
9 manufacturing facility from QSI in China to Tech-Pro,  
10 your manufacturing company in China, for them to insert  
11 the drive into the computer?

12 A. Ship it to -- yeah. I think it might be the  
13 case, if our customer, the ODD -- asked them to do that,  
14 so it might be the case.

15 Q. Now, the number of drives that are ordered  
16 from QSI to go into these laptops, are they determined  
17 by the number of computers being bought by Apple and HP?

18 A. I'm sorry? Can you repeat your question?

19 Q. As an example, if HP orders a hundred laptops  
20 from QCI, does that then determine the number of drives  
21 that you need -- your company needs to obtain in order  
22 to put into those computers?

23 A. If they -- if they ask us to put an ODD into  
24 their computer, then, of course, when we assemble the --  
25 assemble the computer we will put it in upon their



1 request, upon our customer's request.

2 [REDACTED]

3 [REDACTED]

**REDACTED BY ORDER OF THE COURT**

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 Q. Now, as I understand it, many of these laptops  
9 that have ODD drives in them are shipped directly from  
10 QCI to the United States, correct?

11 A. If our customer ask us to ship to USA, yes.

12 Q. Many of those laptops with ODDs are shipped  
13 outside the United States to places like Malaysia or  
14 Singapore, correct?

15 A. If our customer asks us to ship to, yeah. We  
16 ship the part out at our customer's request.

17 Q. And, for example, that happens with Dell,  
18 correct?

19 A. With Dell, I believe so.

20 Q. And you know that some of those laptops with  
21 ODDs that are shipped to Malaysia for Dell are then  
22 shipped to the United States by them; is that correct?

23 A. I don't know. We don't know.

24 Once -- once the computer leaves of our  
25 factory, you know, we actually don't have the control.

1 Our customer took the control.

2 Q. Isn't it a more accurate answer for you to say  
3 that you know that Dell is shipping some of those  
4 computers from Malaysia to the United States? Your  
5 testimony is you just don't know the amount or the  
6 number?

7 Isn't that more accurate?

8 A. No. We don't know whether Dell ship the  
9 computer from Malaysia back to U.S. or not. As I  
10 mentioned, once the computer leave our factory we  
11 actually don't have the control over those computers  
12 that we don't know where our customer want to ship them  
13 to.

14 Q. Do you know that all Dell laptops with ODDs in  
15 them are coming from either Singapore or Malaysia?

16 A. I don't know.

17 Q. If Dell testifies to that in this case, you  
18 don't have any testimony to disagree with them?

19 A. I'm sorry?

20 Q. If Dell says that all their laptops with ODDs  
21 come from either Malaysia or Singapore, you don't have  
22 any testimony to disagree with that, do you?

23 A. Like I say, we don't know what our customer  
24 will do. That's their control.

25 Q. And at least up until a period of time, some

1 of these laptops for Dell were being serviced by QCA, an  
2 American company?

3 A. Can you repeat the question? I'm sorry.

4 Q. Do you agree with me that up until a period of  
5 time, some of the Dell laptops with ODDs in them were  
6 being serviced by QCA?

7 A. I -- I don't know whether I agree with you,  
8 because I don't know whether they still -- Quanta  
9 Computer USA, I don't know whether they still do those  
10 for Dell now. I don't know.

11 Q. Does your company ship laptops with ODDs to  
12 other countries on behalf of HP and Apple?

13 A. We ship the computer all over the world, yes,  
14 for our customers.

15 Q. In the industry of making laptops, where does  
16 QCI fit in? Are they one of the largest in the world?

17 A. Computer, yes, it's the largest one.

18 Q. Are you aware or have you heard that your --  
19 that QSI has an employee stationed in Austin, Texas?

20 A. No, I don't know. I never heard about that.

21 Q. So if they have an employee in Austin, Texas,  
22 that repairs QCI's laptops and the optical disk drives,  
23 that's something you're not aware of?

24 A. I'm not aware of.

25 Q. Your company, QCI, also has another wholly

1 owned subsidiary called QCH, correct?

2 A. Yes.

3 Q. And are they located here in the United  
4 States?

5 A. QCH, yes.

6 Q. And what -- what does QCH do?

7 A. QCH? QCH is a subsidiary of our -- of Quanta  
8 Computer, yes.

9 Q. In QCH, does the H stand for Hub?

10 A. Actually, QCH, its name is QCH, but I don't  
11 know whether in the beginning that's a simple hub, but  
12 it's just a name, not kind of abbreviation, not like  
13 that. It's just QCH is just a name, QCH.

14 Q. And when your company uses the word hub, it's  
15 synonymous -- it means the same as warehouse, correct?

16 A. Yes, same as warehouse.

17 Q. How many locations in the United States does  
18 QCH have a warehouse?

19 A. QCH?

20 Q. QCH.

21 A. QCH actually is just a company and -- which  
22 is -- holds the computer. When Quanta Computer ship the  
23 computer to USA and our customers ask us -- ask us to  
24 have a half regimen and the QCH actually is the one who  
25 hold those computer.

1 But intent of warehouse, the physical  
2 warehouse location, actually that all depends on our  
3 customer's request and direction.

4 Q. Today, where are those locations?

5 A. I cannot really -- they might be in California  
6 or in Nashville or other places. They just warehouse  
7 it. They are not owned by QCH or Quanta Computer.

8 Q. They're rented by QCH, correct?

9 A. They probably rented by our customers or  
10 Quanta Computer, not QCH.

11 [REDACTED]

12 [REDACTED]

13 [REDACTED] **REDACTED BY ORDER OF THE COURT**

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 Q. And you have one in California; is that  
18 correct?

19 A. I should say the warehouse is located in  
20 California.

21 Q. And you have a warehouse in Nashville,  
22 Tennessee?

23 A. It's possible, yes.

24 Q. Do you have a warehouse located in North  
25 Carolina?

A. If our customer, you know, asks us to do that,

1 we will.

2 Q. Do you have a warehouse located in Austin,  
3 Texas?

4 A. I don't -- you know, I don't know. It all  
5 depends on our customers' request. Sometimes they ask  
6 us to ship to there, then we need to do it. So it's  
7 varied. Sometime they want us to ship there, then we  
8 will rent a warehouse there.

9 Q. And you ship the computers with the drives in  
10 them, and you store them there on their behalf, correct?

11 A. I'm sorry. I did not understand the question.

12 Q. Quanta Computer will ship the computer with  
13 the drive in it to these warehouses in the United  
14 States, and they will store them in that warehouse until  
15 the customer wants the computer.

16 A. Yeah.

17 Q. Now, I want to talk for just a second about  
18 what I mentioned earlier that your claim that QCI and  
19 QSI are separate companies that you do not control.

20 That's your position, right?

21 A. Yes.

22 Q. Let's first take a look at Exhibit 1019, which  
23 is the organizational chart, and I want to ask you  
24 whether or not you're familiar with that organizational  
25 chart.

1 A. Okay.

2 Q. Are you familiar with that?

3 A. Yes.

4 Q. And at the very top there, that's Quanta  
5 Computer, Inc. That's your company, correct?

6 A. Correct.

7 Q. And over here under it, it lists Quanta  
8 Storage, Inc., which is the Defendant that manufactures  
9 the product, correct?

10 A. That's Quanta Storage, Inc.

11 Q. And down over here, we have this QCH, which  
12 are the warehouses here in the United States, correct?

13 A. Is that QCN?

14 Q. If you look right -- let's get up here to the  
15 QCH. Here we go; right over there.

16 That's the entity in the United States that's  
17 renting warehouses, correct?

18 A. Like I said, this is not warehouse. It's just  
19 a company's name.

20 Q. Okay.

21 A. I want to clarify.

22 Q. Now, there are some similar officers or  
23 directors between the two companies, correct, between  
24 QCI and QSI?

25 A. Similar what?

1 Q. Let's start with -- do you have the same  
2 Chairman of the Board?

3 A. Yes.

4 Q. And are some of the board members that make  
5 the decisions on behalf of the company the same?

6 A. You want to show me the full member list?

7 Q. Well, do you know, as working in the Legal  
8 Department, whether or not some of the directors are the  
9 same between the two companies?

10 A. Some of them might be the same, but if you're  
11 talking about control, I don't know. I don't think so.

12 Q. You disagree that your company has control?

13 A. I disagree.

14 Q. Now, you also -- would you agree with me that  
15 QCI leases some office space to QSI?

16 A. Quanta Computer, we lease some space.

17 Q. And do you do that in Taipei, Taiwan, correct?

18 A. No.

19 Q. Isn't there an office in Taipei on behalf of a  
20 QSI person that leases from QCI?

21 A. Taipei?

22 Q. Yes, ma'am.

23 A. No, not in Taipei. You mean QSI's, the  
24 office -- you mean QSI's offices, rent from Quanta  
25 Computer?



1 Q. Uh-huh.

2 A. It's not in Taipei.

3 Q. Do they have an office in Taipei, QSI?

4 A. QSI? I don't know.

5 Q. How about Taoyuan -- I may not be pronouncing  
6 it right -- Taiwan, is that where QSI leases office  
7 space from QCI?

8 A. You mean Taoyuan.

9 Q. Yes.

10 A. Taoyuan, yes.

11 Q. Now, in working in the Legal Department for  
12 QCI, have you ever had an opportunity to review the  
13 company's financial statements?

14 A. Company financial statements?

15 Q. Yes, ma'am.

16 A. That is not my -- my part. That is not part  
17 of my job.

18 Q. Let me show you Exhibit 997, and let me go, if  
19 I could, to Page 36 of that exhibit.

20 This is a 2003 financial statement of your  
21 company, QSI. And let me see if I can get the line that  
22 begins, in 2001, the company entered a lease contract  
23 with Quanta Storage, Inc., to rent the ninth floor,  
24 Taipei, Taiwan, with a monthly rent of \$10.

25 For the year ending December, 2003/2002, the

1 rental revenue was \$114. Do you see that?

2 A. Yeah, I saw it.

3 Q. And did you -- do you agree with that  
4 statement, that your company is, in fact, leasing office  
5 space for \$10 a month to QSI?

6 A. It says here that's our statement.

7 Q. So you agree with that statement?

8 A. Yeah.

9 Q. Okay. Let's take a look at Exhibit 998, Page  
10 39. This is going to be your company's financial  
11 statement from 2004, beginning with a Paragraph IV,  
12 guarantee and commitments.

13 This says: The company, being QCI, provided  
14 letters of support to the lenders of facilities extended  
15 to Quanta Display, Inc., Quanta Storage, Inc.,  
16 Tech-Front (Shanghai), and Tech-Com.

17 Next sentence: According to the letters, the  
18 companies must maintain significant influence over the  
19 operation of these companies for the duration of those  
20 loans.

21 Do you see that?

22 A. Yes, I saw it.

23 Q. Before I showed that to you today, were you  
24 aware of that?

25 A. I don't -- as I say, I don't -- that's not

1 part of my job, so I don't really say that.

2 Q. Are you aware before today that they were  
3 making representations that they must maintain  
4 significant influence over the operations of these  
5 companies?

6 A. No, I don't -- I don't see that -- the  
7 language before.

8 Q. Let me show you one more of these, Plaintiff's  
9 Exhibit 1165, Page 9.

10 It begins: As of September 30, 2008, first of  
11 all, it shows Quanta Storage, Inc., as the manufacturer  
12 of optical and electronic components and modules.

13 You'll agree that that's their business,  
14 correct?

15 A. Yes.

16 Q. And it shows that QCI's ownership interest at  
17 this point in time is a little under 30 percent,  
18 correct?

19 A. Correct.

20 Q. And then it says: As of September 30, 2008,  
21 QSI issued capital amount -- issued capital amounting to  
22 \$2,895,108.

23 And then in italics: Although the company is  
24 holding less than 50 percent of QSI's outstanding equity  
25 shares, it has controlling interest over QSI's finance,

1 operation, and employment decision. Therefore, QSI was  
2 included in the consolidated financial statements.

3 Before today, did you know that QSI had  
4 controlling interest over QSI's finance, operation, and  
5 employment decisions?

6 A. I don't know how to, you know, define  
7 controlling interest, you know, from a financial  
8 viewpoint. I cannot comment on that.

9 Q. Well, how about from an operations viewpoint?  
10 It says for operations, too.

11 A. I cannot comment on that either, because it's  
12 controlling interest over the financial operation. So I  
13 don't know from a financial viewpoint how they would  
14 define those. So that's something I don't know.

15 Q. As the -- are you the head of the Legal  
16 Department for QCI?

17 A. Yes.

18 Q. As the head of the Legal Department, was it  
19 your responsibility in this case to produce documents?

20 A. To what?

21 Q. To produce documents that were requested. Is  
22 that your job responsibility?

23 A. Yes, I -- I and some of my colleague in my  
24 department. I don't really do it by myself.

25 Q. And I may be able to do this by using the

1 ELMO, but we -- we took your deposition in the summer of  
2 2008 out in Los Angeles; is that correct?

3 A. I remember that.

4 Q. And, in fact, I'm the one that took your  
5 deposition, correct?

6 A. Uh-huh.

7 Q. Do you recall that?

8 A. I do.

9 Q. And do you recall me asking you questions  
10 about some of the documents that you had produced?

11 A. Yes.

12 Q. One of the things that you chose to do in this  
13 case was to produce spreadsheets.

14 MR. PARKER: Your Honor, may we approach?

15 THE COURT: Yes.

16 (Bench conference.)

17 MR. PARKER: Your Honor, I think we're  
18 getting close to an in limine here. There is a place in  
19 the order that says that no reference can be made in  
20 front of the jury.

21 There have been a number of document  
22 disputes on both sides of this case getting to this  
23 point, and there is an order in place where the judge  
24 told -- has instructed both parties that they cannot  
25 bring that up in the trial.

1 THE COURT: Where are you headed here,  
2 Mr. Sankey?

3 MR. SANKEY: Your Honor, I'm not going to  
4 talk about any disputes or what was not -- I'm going to  
5 talk about the document that she did produce, that she  
6 admitted in her deposition was made-for litigation  
7 spreadsheet that contained inaccurate information about  
8 who manufactured the drives.

9 THE COURT: That's not covered by that  
10 order.

11 MR. PARKER: All right, sir.

12 THE COURT: Go ahead.

13 (Bench conference concluded.)

14 Q. (By Mr. Sankey) Ms. Li, back to my  
15 question, one of the things you decided to do as head  
16 of the legal department is to produce and compile  
17 spreadsheets that would show us certain information  
18 in a much smaller format so we wouldn't have to go  
19 through hundreds of thousands of pages of documents,  
20 correct?

21 A. Yeah. We produce some documents. They're  
22 talking about to the -- sales summary, those documents.

23 Q. Sales summaries was one of the spreadsheets.

24 There were four or five different  
25 spreadsheets, correct?

1           A.     Right.

2           Q.     And you would try -- for example, you would  
3 show us a spreadsheet that would talk about worldwide  
4 sales by your company, correct?

5           A.     Yeah.

6           Q.     And you had a spreadsheet that would show us  
7 the United States sales of your products, correct?

8           A.     Yeah. But I actually got prepared by the  
9 finance people, so...

10          Q.     The spreadsheets were provided by the  
11 financial people to you?

12          A.     To us, yeah.

13          Q.     All right. With respect to Plaintiff's 956,  
14 let me show this to you and see if I can put it on the  
15 ELMO. I'm not doing something right. Oops. There we  
16 go. It should focus in here in a second.

17                 I know you have a screen that's very close to  
18 you there. Can you make out this document as one of the  
19 spreadsheets that you provided to us in this litigation  
20 and you and I talked about in your deposition?

21          A.     Yes.

22          Q.     And if we look along the top, on the top left  
23 over here (indicating), it talks about part number,  
24 correct?

25          A.     Correct.

1 Q. And are those optical disk drive part numbers?

2 A. Yes.

3 Q. Okay.

4 A. You mean all for them? I think maybe some are

5 CD. I think so, yes.

6 Q. Okay. And over here (indicating), we have a

7 description, correct?

8 A. Yes.

9 Q. And then right here (indicating), it says  
10 manufacturer, correct?

11 A. Correct.

12 Q. And then we have the product, whether or not  
13 it's a combo drive or not, correct?

14 A. Yes.

15 Q. And then some other information, V1, V2. Does  
16 that stand for vendor?

17 A. Vendors.

18 Q. Okay. Now, for example, if we just look at  
19 this under manufacturer, it says HLD. What does that  
20 stand for?

21 A. HLD?

22 Q. HLD.

23 A. I remember that's Hitachi.

24 Q. Hitachi?

25 A. Uh-huh. Hitachi LD.



1 Q. All right. Now, do remember you and I taking  
2 a look at Page 23 -- and I'm going to go one, two,  
3 three, four, five, six drives up on Page 23, and I've  
4 got it highlighted.

5 Do you remember you and I talking about that  
6 specific drive?

7 A. Yes, I remember.

8 Q. And this is the -- I referred to it then, I  
9 believe, as the 5056 drive, correct?

10 A. Is it 5056 or -- yes.

11 Q. All right. And according to the spreadsheet  
12 that your company produced and compiled, it shows that  
13 the manufacturer of this drive is PHI, correct?

14 A. Correct.

15 Q. And PHI stands for Philips, correct?

16 A. Correct.

17 Q. And if you look at this page, every one of  
18 these drives on this page you have listed as  
19 manufactured by Philips.

20 A. Yes.

21 Q. Now, I then showed you Exhibit No. 962, and  
22 I'll show you the cover page of this, which is a Philips  
23 approval sheet, correct?

24 A. Approval sheet, yes.

25 Q. And we looked at the part number and we

1 determined, here is the 5056 again, correct?

2 A. Yes.

3 Q. All right. But when you look up here as to  
4 the drive that's in this, it refers to a QSI part  
5 number, correct?

6 A. Yeah, that's right, QSI part number there.

7 Q. All right. And if we look at Plaintiff's 963,  
8 same thing. We've got a Philips approval sheet. We've  
9 got the 5056, correct?

10 A. Yes.

11 Q. And we've got a QSI part number over on the  
12 drive that's being made, correct?

13 A. Yes.

14 Q. And so at the end of that day of the  
15 deposition, I asked you -- I told you that it seems to  
16 me like this drive with the same part number here, this  
17 drive is being manufactured by your other company, QSI,  
18 and not by Philips, as is represented in the spreadsheet  
19 that you gave me.

20 Remember me asking you that?

21 A. I remember you asked.

22 Q. And I asked -- and you said you didn't know  
23 one way or the other, and I asked you if you would  
24 please, overnight, call back to Taiwan and determine  
25 whether I'm right or not, correct?

1           A.     Correct.

2           Q.     And you came back the next morning, and we  
3 began your deposition, and you said that you had called  
4 back to Taiwan, and sure enough, this drive is  
5 manufactured by QSI, not Philips, as represented in your  
6 spreadsheet, correct?

7           A.     Correct. And I also explain that that's the  
8 data we keep in our system and that we keep the best  
9 data we can have.

10          Q.     Okay. So your position on why you provided  
11 inaccurate information in this spreadsheet is because  
12 your computer in Taiwan has inaccurate information then?

13          A.     No. I think that is accurate data.

14          Q.     Do you agree with me today that that part  
15 number is manufactured by QSI and not Philips, as  
16 represented in your numbers in your spreadsheet?

17          A.     Yes. But my understanding is that QSI  
18 actually is an OEM of Philips, so for us, the  
19 manufacturer still, the Philips.

20          Q.     Well, that's interesting.

21                 So you think that if QSI is making the drive  
22 for Philips, then you can represent that it's being made  
23 by Philips on your spreadsheet, and that's still  
24 accurate?

25          A.     From our viewpoint, you know, we -- we have

1 the information provided by our vendor. That I think I  
2 told you in my deposition.

3 Q. Okay. So is your test --

4 A. We -- all the information are actually  
5 provided by our vendor. Whatever they told us, we put  
6 into our system.

7 Q. So is it your testimony, then, that Philips is  
8 the one that made this inaccurate statement?

9 A. I did not say that. I just say, whatever we  
10 keep in our system was provided us from our vendor.  
11 And then you also were told Philips is just a part  
12 number in the document that you just show me as well.

13 Q. You agree with me that that drive was made by  
14 QSI?

15 A. If -- just because you want me to find the  
16 information, I went back to the office to ask the people  
17 to check with our vendor. Then they told me, yeah,  
18 that's the -- that's -- the OEM manufacturer is QSI.

19 Q. Now, on behalf of QCI, QCI first learned about  
20 Mr. Kamatani and the '981 patent in 2006 when the  
21 lawsuit was filed, correct?

22 A. Correct.

23 Q. That was August of 2006, the first time that  
24 QCI had been accused of infringement by Mr. Kamatani,  
25 correct?

1 A. You mean in 2006?

2 Q. Yes, ma'am.

3 A. Quanta Computer USA was accused by  
4 Mr. Kamatani.

5 Q. All right. When was QCI accused of  
6 infringement by Mr. Kamatani? Even later than that?

7 A. Yeah, later than that.

8 Q. Okay. Sometime in late 2006?

9 A. 2007, I think.

10 Q. Okay.

11 A. September.

12 Q. Now, at any time after being accused of  
13 infringement by Mr. Kamatani, did QCI obtain a written  
14 opinion from an attorney to find out whether or not QCI  
15 was infringing?

16 A. Quanta Computer? No, I don't think we have.

17 Q. Okay. Since the lawsuit was filed, Quanta  
18 Computer continues to sell computers with drives in them  
19 into the United States, correct?

20 A. Can you say again?

21 Q. After being sued by Mr. Kamatani, the company  
22 didn't stop its activity; it continued doing it,  
23 correct?

24 A. We are -- we are continue doing our normal  
25 business, to ship the computer for our customers, yes.

1 Q. And in fact, since 2006, not only have you  
2 continued the business, but you've increased the  
3 business.

4 A. We -- yeah. Our sales -- you mean our sales  
5 volume has become bigger?

6 Q. Yes, ma'am.

7 A. Yeah.

8 [REDACTED]

9 [REDACTED] **REDACTED BY ORDER OF THE COURT**

10 [REDACTED]

11 A. Into the United States? The whole product? I  
12 don't have the number on my head, so I don't know  
13 whether I can agree with you.

14 Q. All right. Again, those are going to be some  
15 spreadsheets that your company provided to us that would  
16 show those numbers, correct?

17 A. Yeah. We provided the spreadsheet to show the  
18 shipment to USA.

19 Q. You would also agree with me that these drives  
20 that are in your computers that come into the United  
21 States distinguish between a CD and a DVD, correct?

22 A. I don't know about the technology. I don't  
23 know. I probably cannot comment on that.

24 Q. Does your computer that you have that has a  
25 drive in it, can it play a CD or a DVD?

1           A.     You mean my computer?

2           Q.     Your laptop computer.

3           A.     Actually, I don't know, really.

4           Q.     Let me ask you about another exhibit,  
5 Plaintiff's 977. I think I can do this on the ELMO.

6                     Well, as soon as I said that -- let me see if  
7 I can switch back and pull up that exhibit.

8                     As being part of the legal department, are you  
9 aware of a contract --

10                    MR. SANKEY: Thank you, sir.

11           Q.     (By Mr. Sankey) -- that your company did with  
12 Hewlett-Packard?

13           A.     I'm sorry. What was the question?

14           Q.     I am going to use the ELMO.

15                    MR. SANKEY: I'm not sure where that's  
16 coming from.

17                    THE COURT: I don't know where that's  
18 coming from. A case I tried yesterday. So get me  
19 confused on it.

20           Q.     (By Mr. Sankey) All right. Can you see that  
21 as a contract that your company entered into with  
22 Hewlett-Packard?

23           A.     Yes.

24           Q.     And what's the date of that?

25           A.     The date is 28, February, 2006.





1           You also, about a year and a half after the  
2 lawsuit was filed, sent some letters out to different  
3 companies called indemnification letters, correct?

4           A.     I did send out some indemnification letter.

5           Q.     And let me start by asking you, if the lawsuit  
6 was filed in August of 2006, why are you sending these  
7 letters out in January of 2008? Let me put one of them  
8 up here.

9           A.     Actually, Quanta Computer, Inc., was sued  
10 in -- I think in September 2007, and we, of course, have  
11 some investigation and then send a letter to our  
12 supplier about this situation, ask for indemnification,  
13 sent a notice to them.

14          Q.     All right. So if we take a look at Exhibit  
15 No. 181, this is a letter that you were sending to  
16 Philips, correct?

17          A.     Correct.

18          Q.     And you told them that you had been sued by  
19 Mr. Kamatani and his company, LaserDynamics, correct?

20          A.     Yes.

21          Q.     And you told them that you were placing them  
22 on notice that if you were to be -- have damages awarded  
23 against you by a jury in this case, that you would seek  
24 reimbursement from them, correct?

25          A.     Correct.

1 Q. All right. On that same day -- and by the  
2 way, let me just show it again. That is you signing  
3 off -- or on the signature block of this letter, Tracy  
4 Li, corporate counsel, legal team, Quanta Computer,  
5 Inc.; is that correct?

6 A. Correct.

7 Q. You sent that same letter to Sony, correct?

8 A. I believe so. I don't -- I don't have a list,  
9 but...

10 Q. Okay. Let me see if I can show that to you  
11 real quick.

12 A. Uh-huh.

13 Q. Same letter going to Sony?

14 A. Yes.

15 Q. Okay. Same letter going to NEC?

16 A. Yes.

17 Q. Same letter going to Sony NEC Corporation?

18 A. Optiarc, yes.

19 Q. Then most interesting, at least to me here, is  
20 Exhibit 184. You sent an indemnification letter to  
21 Quanta Storage, Inc., correct?

22 A. Yes.

23 Q. Why did you do that? You had no  
24 indemnification agreement with them, did you?

25 A. Huh?

1 Q. Does QCI and QSI have an indemnification  
2 agreement between them?

3 A. We -- I think -- we did not have an original  
4 indemnification agreement.

5 Q. Did you have a verbal or oral agreement?

6 A. They -- one of our -- they used to -- I think  
7 they used to when they were our supplier, and we were --  
8 by law, we still can go out to there to ask for an  
9 indemnification.

10 Q. And so with respect to Philips and Sony and  
11 NEC and Sony NEC Optiarc and QSI, to the extent any  
12 damages are awarded against you in this case, you plan  
13 on seeking reimbursement from them; is that correct?

14 A. Correct.

15 Q. Now, after you sent those letters, I think you  
16 told me -- what -- what type of response did you get  
17 from those companies?

18 A. I think I told you nobody of them respond.

19 MR. SANKEY: Nothing further.

20 THE COURT: Mr. Parker?

21 MR. PARKER: I don't think we'll inquire  
22 at this time, Your Honor. We will recall her when it's  
23 our turn.

24 THE COURT: You'll wait till your  
25 case-in-chief?

1 MR. PARKER: Yes, sir.

2 THE COURT: Okay. All right. You may  
3 step down.

4 THE WITNESS: Thank you.

5 THE COURT: Who will be your next  
6 witness, Counsel?

7 MR. SANKEY: Your Honor, I would call the  
8 corporate representative, Mr. Cheng.

9 THE COURT: Does this require an  
10 interpreter?

11 MR. PARKER: He will, Your Honor.

12 THE COURT: Okay. Let's swear the  
13 interpreter first.

14 (Interpreter sworn.)

15 COURTROOM DEPUTY: Raise your right hand,  
16 please.

17 (Witness sworn through interpreter.)

18 THE COURT: Mr. McAteer, you're going to  
19 need to get another chair up there.

20 You got one? You can set it right there  
21 beside him, so he can interpret.

22 All right.

23 KEVIN CHENG, PLAINTIFF'S WITNESS, SWORN

24 DIRECT EXAMINATION

25 BY MR. SANKEY:

1 Q. Good afternoon, Mr. Cheng.

2 A. Good afternoon.

3 Q. I took your deposition in Los Angeles last  
4 year, also, correct?

5 A. Yes.

6 Q. You work for QCI, the entity that manufactures  
7 the optical disk drive?

8 A. Yes.

9 Q. Are you the head of the legal department for  
10 QSI?

11 A. Yes.

12 Q. Were you aware of these statements made in  
13 QCI's financial statements about the relationship  
14 between your company and QCI?

15 A. Within the scope of my job responsibility, I  
16 did not make specific effort to get an understanding of  
17 that part of the information.

18 Q. So if QCI is controlling the operations of  
19 your company, that's nothing that you would know in  
20 being the head of the legal department?

21 A. I am the head of the legal department of my  
22 company. As for the financial control of our company by  
23 QCI, that is not my understanding.

24 Q. How about --

25 THE INTERPRETER: Oh, I'm sorry.

1 Interpreter correction. The witness actually said that  
2 is the part I don't understand.

3 Q. (By Mr. Sankey) You don't understand that they  
4 control your company's finances? Is that what you're  
5 saying?

6 THE INTERPRETER: Interpreter correction  
7 of the last rendition -- re-rendition. I disagree. I  
8 did not say I don't understand.

9 Q. (By Sankey) So you do understand that QCI  
10 controls the finances and the operation of QSI?

11 A. What I meant to say was, these two companies  
12 are two separate companies. Quanta Computer, Inc., does  
13 not have any financial control of QSI.

14 Q. Do they have operational control?

15 A. We are a completely independent company, and  
16 our operation is independent.

17 Q. So the statement that QCI is making in their  
18 financial statements about having control of both  
19 finances and operations is an inaccurate statement?

20 A. Well, my opinion is -- my opinion is our  
21 company is completely independent company. I'm not in  
22 the position to comment on QCI's statement in their  
23 financial statement.

24 Q. When you saw that up on the board today, is  
25 that the first time you've heard QCI make a statement

1 that they control the finances and the operation of QSI?

2 THE INTERPRETER: Interpreter needs to  
3 clarify with the witness.

4 A. I think in my work experience, I might have  
5 the opportunity to review -- or to look at a financial  
6 report, document like that one, but I don't specifically  
7 remember that I have seen that particular piece of  
8 information.

9 Q. (By Mr. Sankey) I take it you knew, for  
10 example, that your company leases office space from  
11 them, correct?

12 A. My knowledge is yes.

13 Q. And as part of the head of the legal  
14 department, you knew that they guaranteed their debt  
15 with the banks?

16 A. I am the -- I'm in charge of the legal  
17 department. As for any financial arrangement, I think  
18 it's better for you to inquire of the person who is in  
19 charge of the finance department.

20 Q. And my only question to you is, do you know  
21 that they guarantee, your company?

22 A. Within the purview of my job responsibility, I  
23 do not have such an understanding.

24 Q. Do you know whether or not your company, QSI,  
25 sells optical disk drives to QCI?

1           A.     That depends on the time period you are  
2 referring to.   Currently, we are not selling optical  
3 disk drives to Quanta Computer.

4           Q.     You used to sell disk drives to Quanta  
5 Computer, correct?

6           A.     To my knowledge, we used to, that's correct.

7           Q.     And Quanta Storage used to sell drives to  
8 their other American subsidiary, QCH, correct?

9                   THE INTERPRETER: Did you say QCH?

10                  MR. SANKEY: Yes.

11           A.     I do not have detailed knowledge of the  
12 actual dealings, but I think in the financial documents  
13 that we have produced to your side, you can find the  
14 detailed -- detailed information.

15           Q.     (By Mr. Sankey) QSI has a subsidiary located  
16 in China called QSS, correct?

17           A.     Yes.

18           Q.     And that is the entity that actually  
19 manufactures the optical disk drive, correct?

20           A.     Yes.

21           Q.     Your company ships optical disk drives from  
22 China to the United States, correct?

23           A.     I think, regarding your question, it depends  
24 on specific timeframes. My understanding is, currently,  
25 we're not doing that.



1 Q. When did you stop?

2 A. Well, within the purview of my job  
3 responsibility, I do not have specific knowledge, but I  
4 think in the financial documents we produced, you can  
5 find the specific delivery information.

6 Q. And so are we better off, then, relying upon  
7 those documents as to when you were shipping products  
8 into the United States as opposed to your testimony,  
9 since you're in the legal department?

10 A. What I meant to say was, if you want to know  
11 the detailed information regarding finance or sales or  
12 delivery, it's better to refer to those documents,  
13 because I'm in charge of the legal or law aspect of our  
14 company.

15 Q. Your company also has hubs for warehouses,  
16 correct?

17 A. Currently -- basically, our current customer  
18 is Sony. If they have such request, we would set up  
19 such hub or warehouse as they're requested.

20 Q. Okay. And Sony's requested that you have hubs  
21 in the United States, have they not?

22 A. To my knowledge, I think so.

23 Q. QSI has a hub in Austin, Texas, correct?

24 A. As far as the specific location, I'm not able  
25 to confirm right now.

1 Q. How many hubs are you aware of that your  
2 company has in the United States?

3 A. Just based on my own understanding, I'm not  
4 able to answer your question.

5 Q. As head of the legal department, do you enter  
6 into and sign the lease agreements for these hubs?

7 THE INTERPRETER: Interpreter needs to  
8 clarify with the witness.

9 A. Based on my knowledge, I was involved in the  
10 negotiation of leasing the hubs, the location, but we  
11 have not entered into any agreements with any of these  
12 locations.

13 Q. (By Mr. Sankey) It's not your testimony that  
14 you don't have any hubs in the United States anymore, do  
15 you -- is it?

16 A. That's -- that's not my position. We still  
17 have hubs; however, maybe because we cannot come to  
18 agreement as to the specific terms of the lease  
19 agreement, we did not sign any lease agreement.  
20 However, we still use some of the warehouses in the  
21 United States.

22 Q. QSI manufactures drives that end up in Dell  
23 computers, correct?

24 A. That is a possible scenario.

25 Q. It's not possible; it happens, doesn't it,

1 sir?

2 A. Well, our direct customer is Sony. Into which  
3 brand name computer Sony would install those disk  
4 drives, we do not have that specific knowledge.

5 Q. Tell the jury whether or not any QSI drives  
6 are in Dell computers.

7 A. Are you asking me to speculate?

8 Q. No, sir. I'm asking whether or not, as a  
9 corporate representative of QSI, you can tell the jury  
10 whether or not there are any of your company's drives in  
11 Dell computers.

12 A. Well, as I stated earlier, the position of our  
13 company is, our customer is Sony. We deliver our  
14 product to Sony, and Sony will assemble these drives to  
15 different brand name notebook computers.

16 And if you want to ask me about the situation  
17 for specific customers, for example, HP or Dell, I can  
18 only tell you that's a possible situation.

19 I would like to add something.

20 THE INTERPRETER: The interpreter just  
21 now interpreted that Sony would assemble the disk drive  
22 to the notebook computers. That's actually not the  
23 situation.

24 Sony orders the disk drives, and they  
25 would ask their OEM subcontractors, such as Compal or

1 Quanta Computer, to assemble those disk drives to the  
2 notebook computers.

3 Q. (By Mr. Sankey) Are you aware, sir, that a QSI  
4 employee from Taiwan meets with Dell in Austin, Texas,  
5 on a quarterly basis?

6 THE INTERPRETER: Every quarter or every  
7 month?

8 MR. SANKEY: Every quarter.

9 A. To my understanding, if our customers -- and  
10 before it was Philips, and currently, it's Sony -- if  
11 they have the needs for our employee to go to a specific  
12 location to meet with customers, we would comply with  
13 the request to go to the designated location.

14 Q. (By Mr. Sankey) And that happens every quarter  
15 in Austin, Texas, correct?

16 A. I'm not able to confirm the frequency of the  
17 meeting.

18 Q. Are you able to confirm to the jury that QSI  
19 has an employee that's stationed full time in Austin,  
20 Texas?

21 A. To my knowledge, we would not have a  
22 designated full-time employee stationed in a specific  
23 location.

24 As I explained earlier, if our employee -- if  
25 our customer, Philips or Sony, had a specific request,

1 we would send someone from Taiwan to meet with the  
2 customers.

3 Q. What are some of the reasons why someone from  
4 Taiwan would meet with Dell in Austin, Texas? What are  
5 they doing?

6 A. To my knowledge, companies, such as Dell or  
7 HP, might have some technical issues that cannot be  
8 resolved by our customer, for example, Philips, and they  
9 would like us to participate in the meeting to help them  
10 to resolve the problem.

11 Q. And when you say technical issues, you're  
12 specifically referring to technical issues with the  
13 optical disk drive that your company manufactures?

14 A. That's correct, because our products are  
15 limited to optical disk drives.

16 Q. And is it your understanding, when they're  
17 assisting them with this -- these technical issues, that  
18 they are required and oftentimes will test the drive to  
19 determine what's wrong with it?

20 A. As for technical issues, I think that's one of  
21 the possibilities. But if you want to ask the  
22 specifics, I don't think I can give you an accurate  
23 description of the technical issues. I can only say  
24 that is one of the possibilities.

25 Q. And I really did not want to ask you about the

1 technical issues, but to test the drive, they're going  
2 to take a disk and put it in the drive and play it,  
3 correct?

4 A. That depends on what kind of test they want to  
5 conduct. It is not necessarily you have to put a  
6 disk -- a disk into the disk drive to test. There are  
7 different tests.

8 For example, you can -- there are tests that  
9 test the durability of the disk drive or how the -- how  
10 the disk -- how -- of the -- how the drive can endure  
11 temperature changes. There might be different ways.

12 Q. Are you aware of any tests that require you to  
13 put the disk into the drive?

14 A. I think that's one of -- one type of the test.  
15 I think that could happen.

16 Q. And your QSI employee would assist the  
17 customer in the United States on resolving those  
18 technical issues, correct?

19 A. That is correct. Our position is, if our  
20 customer -- if our customer is -- Philips or Sony have  
21 such a request, asking us to help the customer to solve  
22 the technical problems, we would provide -- provide such  
23 assistance.

24 Q. In fact, your company is going to provide  
25 whatever assistance your customer wants you to provide

1 in the United States, correct?

2 A. I think, based on the spirit of servicing  
3 customers, we would try our best to meet our customers'  
4 needs.

5 Q. And I forgot to ask you earlier, Mr. Cheng,  
6 but do you have a laptop computer?

7 A. I do.

8 Q. Does it have an optical disk drive in it?

9 A. Oh, some of them -- some of them -- some of  
10 them do; some of them don't.

11 Q. How about the one that you brought with you  
12 when you came to the United States on this trip? Does  
13 it have one in it?

14 A. It doesn't.

15 Q. As part of the legal department, did you  
16 participate in negotiating contracts between QSI and  
17 Philips?

18 A. Yes. I was in charge of it.

19 Q. If we look at Plaintiff's 1007, are you  
20 familiar with a contract called Head of Agreement  
21 between QSI and Philips?

22  **REDACTED BY ORDER OF THE COURT**   
23 

24 Q. What was your participation, if any, in  
25 negotiating this agreement?

1           A.     As a member of the legal department, I think I  
2 have the knowledge of the terms and articles that would  
3 discuss -- that were discussed in the negotiation of the  
4 agreement.

5           Q.     Let me show you the last page of that  
6 agreement. Signed in 2004, correct?

7                   THE INTERPRETER: Interpreter interpreted  
8 incorrectly, and the witness just corrected the  
9 interpreter. It was signed in the year 2004.

10          Q.     (By Mr. Sankey) Okay. And the signature here  
11 for your company is a C.C. Chien. What is his position  
12 with the company?

13          A.     At that time, he was the President of our  
14 company.

15          Q.     Does Mr. Chien have any relationship with QCI?

16          A.     To my knowledge, no.

17          Q.     He's not one of the common officers or  
18 directors with QCI?

19          A.     The -- the board member of which company? Are  
20 you talking about QCI?

21          Q.     Correct.

22          A.     To my knowledge, I don't think so.

23          Q.     Let me show you Page 2 of the agreement, which  
24 talks about the financial relationship between QCI and  
25 Philips.



1                   Were you aware of these terms?

2           A.     Yes, I have knowledge of such articles.

3           [REDACTED]

4           [REDACTED]

5                   **REDACTED BY ORDER OF THE COURT**

6           [REDACTED]

7           [REDACTED]

8           [REDACTED]

9           [REDACTED]

10           [REDACTED]

11           [REDACTED]

12           [REDACTED]

13           [REDACTED]

14           [REDACTED]

15           [REDACTED]

16           [REDACTED]

17           [REDACTED]

18           [REDACTED]

19           A.     Correct. That's what's written on the

20           contract.

21           Q.     And so in January of 2004 -- by the way, was

22           the CD market -- I mean, the optical disk drive market

23           doing pretty well in January of 2004?

24           A.     I'm not in marketing and sales, and from my

25           perspective, I'm not able to comment on the business

          situation of the product.

1 Q. Your company began in 1999; is that correct?

2 A. Correct, February of 2009 -- correct, February  
3 of 1999.

4 THE INTERPRETER: Oh, I'm sorry, Counsel.  
5 May I get a minute and get another pen?

6 THE COURT: Yes.

7 Well, I tell you what we'll do, we'll go  
8 ahead and take a break here.

9 Ladies and Gentlemen, be ready to come  
10 back in the courtroom at 3:25, 3:25, 3:25.

11 You may leave the courtroom. Remember my  
12 instruction about not discussing the case.

13 (Jury out.)

14 THE COURT: All right. Court's in recess  
15 until 3:25.

16 (Recess.)

17 (Jury in.)

18 COURT SECURITY OFFICER: All rise.

19 THE COURT: Please be seated.

20 Okay. Mr. Sankey, let's proceed.

21 Q. (By Mr. Sankey) Mr. Cheng --

22 MR. SANKEY: Let me put that last exhibit  
23 up. It will be 96 -- there we go.

24 If we could enlarge that. I didn't  
25 realize when I was using the ELMO there, I had it so

1 small.

2 Q. (By Mr. Sankey) So this was the agreement we  
3 were talking about in 2004 with QSI and Philips?

4 A. Yes.

5 MR. SANKEY: Let me see if I can have  
6 brought up Plaintiff's Exhibit 1135, Page 1.

7 Q. (By Mr. Sankey) You had mentioned something  
8 about whether or not your drives were ending up in any  
9 Dell computers. I want to show you this document here.

10 Do you see here where QSI is selling a drive  
11 to Philips, and they're shipping the drive to Dell in  
12 Nashville, Tennessee?

13 A. Yes, I see that.

14 Q. Okay.

15 MR. SANKEY: If we could go in that same  
16 exhibit to Page 99.

17 Q. (By Mr. Sankey) Do you see here where, again,  
18 your company is shipping a drive, this time to Dell in  
19 Austin, Texas?

20 A. Yes. I believe we did that, according to the  
21 instruction sent to us from our customer, Philips.

22 THE INTERPRETER: Oh, the interpreter  
23 made a mistake.

24 A. What I said was, based on our customer's  
25 instruction, Philips' instruction, we deliver the

1 products to Dell.

2 MR. SANKEY: Let me see if I can pull up  
3 Plaintiff's Exhibit 1009.

4 [REDACTED]

5 [REDACTED]

**REDACTED BY ORDER OF THE COURT**

6 [REDACTED]

7 A. Yes, I was involved.

8 Q. All right. And let me see if I can enlarge  
9 this first whereas paragraph here.

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 A. Yes, I do see that.

14 Q. By September 15th of 2004, the date of this  
15 agreement, Philips had a license to Mr. Kamatani's  
16 patent, which they got back in '98, correct?

17 A. I don't quite understand your question. Would  
18 you please repeat your question?

19 Q. Okay. You heard earlier when Mr. Kamatani was  
20 on the stand, that he -- that LaserDynamics entered into  
21 a license agreement with Philips back in 1998, correct?

22 A. I think so.

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1	[REDACTED]
2	[REDACTED]
3	<b>REDACTED BY ORDER OF THE COURT</b>
4	[REDACTED]
5	[REDACTED]
6	[REDACTED]
7	[REDACTED]
8	[REDACTED]
9	[REDACTED]
10	[REDACTED]
11	[REDACTED]
12	[REDACTED]
13	[REDACTED]
14	[REDACTED]
15	[REDACTED]
16	[REDACTED]
17	[REDACTED]
18	[REDACTED]
19	[REDACTED]
20	[REDACTED]
21	[REDACTED]
22	[REDACTED]
23	[REDACTED]
24	[REDACTED]
25	[REDACTED]

[illegible]

1	[REDACTED]
2	
3	<b>REDACTED BY ORDER OF THE COURT</b>
4	[REDACTED]
5	[REDACTED]
6	[REDACTED]
7	[REDACTED]
8	[REDACTED]
9	[REDACTED]
10	[REDACTED]
11	[REDACTED]
12	[REDACTED]
13	[REDACTED]
14	[REDACTED]
15	[REDACTED]
16	[REDACTED]
17	[REDACTED]
18	[REDACTED]
19	[REDACTED]
20	[REDACTED]
21	[REDACTED]
22	[REDACTED]
23	[REDACTED]
24	[REDACTED]
25	[REDACTED]

1 right now.

2 Q. Let me see if I can find that real quick for  
3 you. You know, I'm glad you pointed that out, because I  
4 made a mistake. Plaintiff's Exhibit 1015, if you'll  
5 take a look at the amount.

6 THE COURT: Ms. Dupree is trying to  
7 switch it back.

8 MR. SANKEY: I need it to the ELMO.

9 COURTROOM DEPUTY: It's the document  
10 camera.

11 [REDACTED]

12 [REDACTED]

13 [REDACTED] **REDACTED BY ORDER OF THE COURT**

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]



1 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]  
2 [REDACTED] [REDACTED]  
3 [REDACTED] [REDACTED] **REDACTED BY ORDER OF THE COURT**

4 Q. When did the relationship with Philips -- did  
5 it come to an end?

6 A. Yes. At around the first half of 2007, the  
7 relationship ended.

8 MR. SANKEY: If we could pull up  
9 Plaintiff's Exhibit 1006.

10 THE COURT: Ms. Dupree, you'll have to  
11 help him.

12 Q. (By Mr. Sankey) Around that same time period  
13 that you stopped doing business with Philips, is that  
14 when you started doing business with Sony NEC Optiarco?

15 A. I should put it this way: The relationship  
16 with Philips and the relationship with Sony NEC should  
17 have some overlaps. Our relationship with Sony NEC  
18 started from the second half of 2006. I think the  
19 overlap would be between the second half of 2006 to the  
20 first half of 2007.

21 Q. Okay. Now, if we look at --

22 MR. SANKEY: If we can enlarge that first  
23 paragraph there.

24 Q. (By Mr. Sankey) You heard Ms. Li from QCI  
25 testify earlier in November of 2006, her company entered

1 into an agreement with Sony, correct?

2 A. So the agreement you're talking about is this  
3 agreement?

4 Q. No. I'm asking whether or not you recall her  
5 testimony earlier, that her company entered into an  
6 agreement in November of 2006 with Sony.

7 A. I don't recall the specific testimony earlier.  
8 Maybe she -- maybe she mentioned the agreement with HP  
9 or Apple.

10 Did she mention Sony?

11 Q. It may have been with HP; you're right.

12 Is there a coincidence that this agreement  
13 that QSI entered into was in November 2006, again three  
14 months after this lawsuit was filed?

15 A. Well, the signing of the agreement was in  
16 November of 2006, but I believe that agreement has  
17 nothing to do with this lawsuit.

18 Q. Your testimony was that there was some overlap  
19 between the relationship with Philips ending and the  
20 beginning of the relationship with Sony, correct?

21 A. Yes.

22 [REDACTED]

23 [REDACTED] **REDACTED BY ORDER OF THE COURT**

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED] **REDACTED BY ORDER OF THE COURT**

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 Q. And Sony's the entity today, for example, that  
11 you say requests that your company comes over to the  
12 United States to meet with and provide assistance to  
13 Gateway or Dell or Apple or HP, correct?

14 A. Yes. If we receive such requests from the  
15 company, Sony, we would comply.

16 Q. Do you agree with Ms. Li that the reason why  
17 Dell and Apple and HP want an optical disk drive in  
18 their computer is so that their end-user can play movies  
19 or play movies?

20 THE INTERPRETER: Could you read that,  
21 please?

22 (The record was read.)

23 A. I think that is one of the functions of  
24 optical disk drives.

25 Q. (By Mr. Sankey) And that's one of the

1 functions that the end-user that purchases the computer  
2 from Dell or Apple is doing in the United States,  
3 correct?

4 A. Are you talking about playing music or playing  
5 DVD movies?

6 Q. Correct.

7 A. Are there any limits?

8 I'm not very clear of your question.

9 Q. Well, it's kind of a common-sense question.  
10 Is it your understanding that the end-user  
11 that buys the computer from Dell or HP is using their  
12 optical disk drive to play movies and/or to play music?

13 A. I believe that is one of the functions that  
14 the consumer wants when they purchase a notebook  
15 computer. However, I think they have many other  
16 concerns when they purchase a notebook computer. The  
17 optical disk drive is not the only concern that they  
18 have.

19 Q. Let me take a look real quick at  
20 Plaintiff's 650, which is another agreement between your  
21 company and Sony. And we will see it here in a second.

22 But this one was entered into at the very end  
23 of 2002, December 31, 2002. That is about the time that  
24 you joined QSI's Legal Department, correct?

25 A. Yes, around that time.

1 Q. Did you participate in negotiating this  
2 agreement?

3 A. Yes, I did participate.

4 [REDACTED]

5 [REDACTED]

**REDACTED BY ORDER OF THE COURT**

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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7 Q. Let me switch subjects for a second.

8 When did QSI first know about the '981 patent?

9 A. I think it was in the year 2002.

10 Q. Did Mr. Kamatani's attorney send a letter to  
11 your company requesting a meeting?

12 A. Yes. I think in 2002, they sent a letter to  
13 our company.

14 Q. Did Mr. Kamatani's attorney ask whether or not  
15 QSI was interested in a license agreement?

16 A. Yes. That issue was raised during the related  
17 meetings.

18 Q. Okay. And sometime in 2003, your company told  
19 LaserDynamics that they did not want to enter into a  
20 license agreement, correct?

21 A. I don't agree. I think in the year 2003, we  
22 have reached some conclusions from technical point of  
23 view. We believe that our products did not practice the  
24 art revealed in their patent.

25 As for the licensing issue, because they did



1 not make any further contacts with us and we did not  
2 have the opportunity to give it further consideration.

3 Q. Similar to QCI, your company didn't hire an  
4 attorney to give you an opinion to say you did not  
5 infringe, did it?

6 A. At that time, we did not do such a thing,  
7 because from a technical point of view, the technical --  
8 the dispute in technology is very obvious. We can draw  
9 a very definite conclusion.

10 Q. Are you a technical person?

11 A. I'm not.

12 Q. Do you understand how your company's drives  
13 operate?

14 A. As far as technology is concerned, I do not  
15 have the knowledge.

16 Q. And your answer began with: At that time, we  
17 did not go get a legal opinion from counsel.

18 All the way up through today, have you done  
19 so?

20 A. As far as legal opinions from outside  
21 attorneys, we have not formally sought such opinion.

22 However, since the starting of this case, we  
23 have discussed the technical issues with our attorney.

24 Q. Since 2002, your company's continued to make  
25 DVD drives, correct? Or optical disk drives?

1 A. Yes.

2 Q. Since this lawsuit was filed in August of  
3 2006, your company's continued to make optical disk  
4 drives?

5 A. Yes. Based on our customers' requests, the  
6 request from Philips and Sony, we were asked to continue  
7 with our production.

8 Q. In fact, a number of drives that your company  
9 is manufacturing has increased every year, correct?

10 A. As far as trend is concerned, I think that's  
11 the case. However, if -- I'm not able to confirm if the  
12 increase is annually.

13 Q. And through today, your company continued to  
14 provide support to U.S. customers, correct?

15 A. Currently, our only customer is Sony Optiarc,  
16 so I'm not sure.

17 What are you referring to by the customers, in  
18 your question?

19 Q. I'm referring to the customers in the United  
20 States that you provide assistance to, like Dell and HP  
21 and Apple.

22 Your company continues to do that through  
23 today, correct?

24 A. First, I would like to say, currently, Dell  
25 and HP are Sony's customers. They are not the customers

1 of QSI.

2 And, secondly, I would like to say, if Sony  
3 made a request to us asking us to help their customers,  
4 we would provide support to help them to solve issues.

5 Q. And my only question is, you continue to do  
6 that today?

7 A. Yes, because we do have such request from  
8 Sony.

9 Q. Your company, QSI, also has an American  
10 subsidiary, correct?

11 A. Yes. We have a subsidiary in California.

12 Q. What's the name of that subsidiary?

13 A. If I remember correctly, it is called Quanta  
14 Storage America, Inc.

15 Q. And what business is Quanta Storage America,  
16 Inc., in?

17 A. It is not in any business over here.

18 Q. What's the purpose of having Quanta Storage  
19 America, Inc., if it's not in any business?

20 [REDACTED]

21 [REDACTED]

22 [REDACTED] **REDACTED BY ORDER OF THE COURT**

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1           A.     The only reason that we set up this subsidiary  
2 is to --

3                   THE INTERPRETER: I need a clarification.

4           [REDACTED]

5           [REDACTED]

6                   **REDACTED BY ORDER OF THE COURT**

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10           [REDACTED]

11           [REDACTED]

12           [REDACTED]

13           [REDACTED]

14           [REDACTED]

15           Q.     All right. Now, Quanta is not contending in  
16 this lawsuit that you own your own patent that covers  
17 this discrimination technology, are you?

18                   THE INTERPRETER: I'm sorry, Counsel. By  
19 Quanta, you mean Quanta Storage or Quanta --

20                   MR. SANKEY: Quanta Storage.

21           A.     Whether we have any patents covering the  
22 technology, I don't have the specific knowledge, because  
23 our company had also filed many patent applications.  
24 I'm not able to recall whether we have any related  
25 patents.

          Q.     Okay. So you can't tell this jury of a single

1 patent that your company owns that covers this  
2 technology, correct?

3 A. Correct. Because I do not have any relevant  
4 documents on hand. I'm not able to answer this  
5 technical question.

6 MR. SANKEY: If I could ask you to pull  
7 up Plaintiff's Exhibit 876.

8 Q. (By Mr. Sankey) Are you aware that your  
9 company applied for a United States patent on similar  
10 technology in 2006, in fact, August of 2006, the same  
11 month this lawsuit was filed?

12 A. Based on my reading of this document, I think  
13 that's the case.

14 Q. Okay. Are you aware that the United States  
15 government never issued your company a patent on this  
16 technology?

17 A. I'm not able to confirm that right now,  
18 because as for the patent application and patent  
19 prosecution, we had patent engineers to handle that part  
20 of the business.

21 MR. SANKEY: Let me ask if I can pull up  
22 Paragraph No. 5 of this application.

23 Q. (By Mr. Sankey) Let me read you parts of this,  
24 and I want to ask you if you agree with your company's  
25 application to the United States government.

1           In the era of technology, with rapid advances,  
2 as a result of the popularity of data with large memory  
3 capacity, like pictures, movies -- music, movies and  
4 computer software, optical disks has become  
5 indispensable for every computer user.

6           Do you agree with that statement made by your  
7 company?

8           A.    That's what's written in this document, that's  
9 correct.

10          Q.    It says, Two main categories of the optical  
11 disk are compact disk, CD, and digital versatile disk,  
12 DVD.

13           With the advantages of large memory capacity,  
14 small size, and safety in storing data, the optical disk  
15 distinguishes itself in all kinds of storages.

16           Furthermore, an optical disk drive capable of  
17 reading CD and DVD becomes one of the essential  
18 equipments of a personal computer.

19           Do you agree with your company's statement?

20           A.    I think as far as --

21                   THE INTERPRETER: Interpreter correction.

22           A.    I think as far as this patent application is  
23 concerned, the description in this paragraph is correct.

24           Q.    (By Mr. Sankey) You told me in your deposition  
25 in L.A. that your company will not stop making optical

1 disk drives unless and until a jury finds that you're  
2 infringing.

3 Is that still your position?

4 A. I'm not able to ascertain whether that would  
5 be my exact testimony at the deposition; however, my  
6 position right now is, we will not stop --

7 THE INTERPRETER: Okay. Interpreter  
8 correction. The witness just corrected the interpreter.

9 A. My position at that time was, we would not  
10 stop the production of optical disk drives if our  
11 customer requested us to continue with the production.

12 Q. (By Mr. Sankey) Has your company, similar to  
13 QCI, requested indemnification from your customer,  
14 Philips or Sony?

15 A. Yes. In regards to this particular lawsuit,  
16 we did make such a request to our customers, Sony and  
17 Philips, and the response we got from our customers was  
18 that we -- we should continue with our production, and  
19 they would handle the dispute.

20 Q. So they've agreed to pay whatever damages that  
21 are assessed against your company?

22 A. They did not specifically mention any monetary  
23 payment; they just requested us to continue with the  
24 production of optical disk drives, and they would handle  
25 the patent disputes.

1 MR. SANKEY: I pass the witness, Your  
2 Honor.

3 THE COURT: Mr. Parker?

4 MR. PARKER: We will not inquire at this  
5 time, Your Honor.

6 THE COURT: Okay.

7 MR. PARKER: Reserve until our  
8 case-in-chief.

9 THE COURT: Okay. Thank you.  
10 You may step down.

11 All right, Mr. Sankey. Who will be your  
12 next witness?

13 MR. SANKEY: One second, Your Honor.

14 (Pause in proceedings.)

15 MR. SANKEY: At this time, we would call  
16 by deposition the representative that testified for  
17 Dell.

18 THE COURT: Any objection?

19 MR. SANKEY: Mr. Steenbergen.

20 THE COURT: Mr. Rambin, are you going to  
21 read the answers?

22 MR. RAMBIN: Yes, Your Honor.

23 QUESTION: Would you state your name for  
24 the record, please, sir.

25 ANSWER: Chris Steenbergen.



1                   QUESTION: Mr. Steenbergen, my name is  
2 Tom Sankey, and I represent LaserDynamics in a patent  
3 infringement lawsuit filed against Defendants -- the  
4 Quanta Defendants.

5                   Do you understand that?

6                   ANSWER: Yes, I do.

7                   QUESTION: And you have been designated  
8 today to serve as a corporate representative for Dell;  
9 is that correct?

10                  ANSWER: Regarding a number of the  
11 technical and process issues that I'm aware of, yes.

12                  QUESTION: And are you presently employed  
13 by Dell?

14                  ANSWER: Yes, I am.

15                  QUESTION: What is your position?

16                  ANSWER: I'm a strategist for removable  
17 storage.

18                  QUESTION: And would that include optical  
19 disk drives?

20                  ANSWER: It has included optical disk  
21 drives for the past seven and a half years. I'm just  
22 now transitioning to a more general position where it  
23 is -- still somewhat includes optical disk drives, but  
24 it's more removable storage in general.

25                  QUESTION: And I know we've received

1 several CDs from Dell. Were you responsible for  
2 downloading the information onto those CDs?

3 ANSWER: No. I tried, but the new  
4 database only allows individual files to be -- to be  
5 copied out of the database.

6 The old engineering database allowed us  
7 to copy directly the full folders for individual  
8 projects, and so I had to ask for assistance in order to  
9 get this copied.

10 QUESTION: Do you know how many projects  
11 were downloaded onto those CDs?

12 ANSWER: Not off the top of my head  
13 anymore, but I identified at least five. There's  
14 probably more. Probably a few more.

15 QUESTION: And it's your -- based on your  
16 review, that those five projects were with respect to  
17 Dell's relationship with Philips and Optiarc?

18 ANSWER: The projects were on optical  
19 disk drives that were offered to us by Philips and  
20 Optiarc, yes.

21 QUESTION: We also received a disk that  
22 contained a spreadsheet of optical disk drives purchased  
23 by Dell from 2004 to -- through 2008, and I'll show you  
24 here on the table -- I'm going to mark it as an exhibit,  
25 but about 1400 pages printed off from the disk.

1 Did you participate at all in searching  
2 for and/or producing those documents?

3 MR. SANKEY: And could we have Exhibit  
4 No. 3, please?

5 Can it be enlarged at all?

6 MR. RAMBIN: The answer is no.

7 QUESTION: Have you ever seen those  
8 documents before?

9 ANSWER: I saw a single page from them.

10 QUESTION: Let me show you Exhibit No. 3.

11 Is that the single page that you're  
12 referring to that you have seen?

13 ANSWER: No. That's not what I was  
14 referring to. I saw this just -- just this morning.

15 QUESTION: What document are you  
16 referring to?

17 ANSWER: It was a page -- pretty much  
18 looked like the top page there, just as an example,  
19 whether I would be able to testify to that, and I was  
20 not familiar with that format.

21 QUESTION: When were you shown that  
22 document?

23 ANSWER: A few weeks ago, something like  
24 that.

25 QUESTION: And do you believe that one

1 page that you did review to be from those documents that  
2 were produced?

3 ANSWER: I suspect it is, yeah.

4 QUESTION: With respect to Exhibit 3,  
5 which of these entities have you dealt with as part of  
6 your engineering department from Dell?

7 ANSWER: Can you clarify that? As part  
8 of the drive qualification or a general contact?

9 QUESTION: Let's start with general  
10 contact.

11 ANSWER: Because of my role, I have  
12 contacted all of those companies at some point or the  
13 other.

14 QUESTION: How about with respect to a  
15 drive qualification?

16 ANSWER: For drive qualification, it  
17 would be Philips, LiteOn, Pioneer, Quanta Storage, and  
18 Sony NEC Optiarc and Toshiba.

19 QUESTION: Let me back up for just a  
20 second and get a little bit of information about your  
21 educational background.

22 Can you tell us that, please, sir?

23 ANSWER: Sure. I have a Master's and  
24 Ph.D. in technical physics. That's pretty much the  
25 original education. Then, of course, there's on-the-job

1 education since then.

2 QUESTION: When did you obtain these  
3 degrees?

4 ANSWER: The Master's was in 1971 at  
5 Delft Technical University in the Netherlands.

6 The Ph.D. was in 1979 at that same  
7 university.

8 QUESTION: Can you start for me in 1979  
9 going forward and tell me who your employers were.

10 ANSWER: I started in 1979 with Philips  
11 at their research labs for three years.

12 In 1982, I moved to a Philips joint  
13 venture that they had with Control Data in Colorado  
14 Springs.

15 In 1987, I moved to another joint venture  
16 that Philips had with DuPont in Wilmington, Delaware.

17 After that, I, for two years, was under  
18 contract with Idemitsu, a Japanese manufacturer, who at  
19 that time was looking into optical disks.

20 In 1994, I consulted parallel to Nikon  
21 for optical disk standardization and to a small company  
22 in Boulder, Colorado, for optical disk testers.

23 But, ultimately, that became a permanent  
24 position until my -- 2000 when I joined Dell and where I  
25 have been since then.

1 QUESTION: What position did you start  
2 with at Dell?

3 ANSWER: At Dell, I started as a  
4 technologist for optical storage.

5 QUESTION: And at that point in time --  
6 at what point in time did that change?

7 ANSWER: That changed about a year ago  
8 when I became a strategist for removable storage.  
9 That's because the Optical Storage Division was being  
10 moved to Singapore.

11 QUESTION: Tell us, if you would, how  
12 your job responsibilities changed.

13 ANSWER: At that time?

14 QUESTION: Yes, sir.

15 ANSWER: At the time, I was only  
16 monitoring what was happening at our group in Singapore,  
17 and I am, for a larger period -- amount of time on  
18 tape -- tape storage and tape storage automation.

19 QUESTION: It is my understanding that  
20 you are part of the Removal Media Storage Device Group.

21 ANSWER: I was.

22 QUESTION: And when did that change?

23 ANSWER: I officially started reporting  
24 to my present director late last year. I won't be able  
25 to give you an exact date, because it's been kind of a

1 slow -- slow transition, but the official reporting was  
2 sometime -- sometime in the second half of last year.

3 QUESTION: Is there a name for the group  
4 that you're in now?

5 ANSWER: It's tape and tape automation.

6 QUESTION: As part of your move to a  
7 different department, do you still participate or have  
8 contact with the entities on Exhibit 3 that you  
9 identified with respect to drive qualification?

10 ANSWER: Not recently. Last contacts  
11 with some of these were March, and it's supposed to be  
12 pretty much -- pretty much end by that time.

13 QUESTION: In the March of 2008 contact,  
14 can you tell me what that was?

15 ANSWER: I was in Singapore attending our  
16 quarterly product reviews, which is a discussion with  
17 some of these companies on their product plans and  
18 lining them up with Dell's product plans.

19 QUESTION: And which of the companies off  
20 of Exhibit 1 participated in this meeting in Singapore?

21 ANSWER: That was Sony NEC Optiarc, and  
22 that was pretty much it.

23 QUESTION: Was there a representative  
24 from either AsusTeK or Quanta?

25 ANSWER: No.

1                   QUESTION: If you look at Exhibit 3, down  
2 at the bottom where it says total drives, it reflects  
3 that Dell has purchased a little over 9.2 million  
4 optical disk drives from these vendors; is that correct?

5                   ANSWER: That would be your contention.  
6 I wouldn't be able to tell.

7                   QUESTION: That's what the document  
8 reflects.

9                   ANSWER: It says drives.

10                  QUESTION: Well, let me ask you this:  
11 With respect to the drives that are reflected on Exhibit  
12 No. 3, what role -- as part of the Removal Media Storage  
13 Device Group, what role did you or that group play in  
14 the selection or the purchase of these drives?

15                  ANSWER: The document isn't clear as to  
16 what these drives are.

17                  QUESTION: What types of drives does Dell  
18 currently sell in its computers?

19                  ANSWER: Optical drives?

20                  QUESTION: Yes, sir.

21                  ANSWER: We just discontinued CD-ROM  
22 drives. There may be a few around still.

23                  Then we sell DVD-ROM drives, so-called  
24 combo drives, which is a combination of CD-RW and  
25 DVD-ROM read, DVD-RW drives and two types of BD drives,



1 BD combo, which is -- reads BD only and does everything  
2 else up to DVD-RW, and BD rewritable drives. We have  
3 them in different form factors, also.

4 QUESTION: I take it that Dell has  
5 optical drives -- or sells both desktops and notebooks  
6 with optical drives in them.

7 ANSWER: Yeah. We sell computers with  
8 both half height and slim drives, both desktop and  
9 laptops.

10 QUESTION: And they don't -- I take it  
11 they don't sell any computers without an optical disk in  
12 it.

13 ANSWER: Actually, yes.

14 QUESTION: Well, tell me about that.

15 ANSWER: We offer, as you probably  
16 realize, options to our customers. They can basically  
17 configure the systems on their -- on the web.

18 And there are several cases where you can  
19 elect not to take an optical disk. And they are also  
20 starting to emerge in notebooks where we don't offer an  
21 optical drive in it.

22 QUESTION: Does that occur very often,  
23 where someone elects not to have an optical drive?

24 ANSWER: I don't know.

25 QUESTION: The CDs that you produce

1 represent what I believe you referred to as a full  
2 project; is that correct?

3                   ANSWER: I don't know exactly how the CDs  
4 were produced, but individual CDs has an individual  
5 project on them. But I identified a number of full  
6 projects on our database for copying to you.

7                   QUESTION: And describe to us, if you  
8 would, what a full project is.

9                   ANSWER: To us, a full project -- it's a  
10 predetermined folder with subfolders where an engineer  
11 that runs the department deposits the results of the  
12 different tests and investigations that I have done  
13 during our qualification process.

14                   QUESTION: During your time at Dell,  
15 you've dealt with both Philips and Quanta and Optiarc  
16 and Quanta; is that correct?

17                   ANSWER: Exactly.

18                   QUESTION: In qualifying drives.

19                   ANSWER: I did qualify a drive for  
20 Philips. I did not qualify a drive for -- that came  
21 from Optiarc.

22                   I have been involved in the process --  
23 part of the process for qualifying all the optical  
24 drives that Dell qualified during my -- the period I was  
25 involved in that group.

1                   QUESTION: When you say you didn't  
2 qualify but you were involved in, can you tell us what  
3 that means?

4                   ANSWER: We have a lead engineer that  
5 gets assigned to a project, and the lead engineer  
6 basically sets up the schedule and works the day-to-day  
7 details. But during the project, there are a number of  
8 points where the project gets touched by other engineers  
9 or by other people in the group.

10                  It was my responsibility to handle  
11 concept reviews with the supplier, to be there at all  
12 design reviews, and that's because of the role I have  
13 in -- in having overview of all these -- all these  
14 drives and the capabilities.

15                  QUESTION: And you said you did -- or you  
16 were, I guess, the lead engineer or qualifying -- for --  
17 on qualifying a drive for Philips?

18                  ANSWER: That's correct.

19                  QUESTION: And when was that?

20                  ANSWER: That was a drive we did -- I  
21 don't know the year exactly anymore -- that Philips  
22 introduced to us, but it was exactly -- actually  
23 designed and built by Ricoh.

24                  QUESTION: Tell me what involvement you  
25 had in qualifying drives purchased from Philips that

1 were manufactured by Quanta? Is that the entity you  
2 dealt with?

3 ANSWER: Quanta Storage, Inc.?

4 QUESTION: Quanta Storage, Inc.

5 ANSWER: That's the entity that our group  
6 dealt with in general. For those projects, I worked  
7 with concept reviews and participated in the design  
8 reviews. I also evaluated specifications.

9 QUESTION: Do you know how many drives  
10 you participated in qualifying that were purchased from  
11 Philips and manufactured by Quanta Storage?

12 ANSWER: No. That's at -- that's  
13 different times.

14 QUESTION: Do you have an approximate  
15 number, or are you talking 10 different drives, 50  
16 different drives?

17 ANSWER: As far as models is concerned?

18 QUESTION: Yes, sir.

19 ANSWER: Probably eight, something like  
20 that.

21 QUESTION: And can you explain to us what  
22 you mean when you say qualify a drive.

23 ANSWER: When Dell qualifies a drive for  
24 usage in their computers, that's exactly what they're  
25 after: A drive that is compatible with the computer and

1 the other devices and software that are on that  
2 computer.

3           They also assess durability of the drive,  
4 quality, if you will, and if the drive meets the  
5 specifications.

6           QUESTION: Is that the same or different  
7 than verifying a drive?

8           ANSWER: You can have different words for  
9 it. I would say it's probably the same.

10           QUESTION: I take it that Dell knows the  
11 manufacturer of all the drives that it qualifies,  
12 correct?

13           ANSWER: Ultimately, it must be the  
14 corporate knowledge. It wouldn't be mine necessarily.

15           QUESTION: Who would have that knowledge?

16           ANSWER: If I had to find it, I would  
17 probably have to work with a combination of procurement  
18 and quality since we're talking to you about not -- not  
19 actual -- no manufacturing plant.

20           QUESTION: Put another way, I guess it's  
21 fair to say that Dell isn't selling computers with  
22 optical drives in them where they don't know who the  
23 manufacturer of that drive is.

24           ANSWER: It is not necessarily easy to  
25 find out for an individual, but, ultimately, as to

1 organization, you ought to be able to find out.

2 QUESTION: Do you know how you would go  
3 about doing that?

4 ANSWER: Like I just said, I -- if I had  
5 to -- had to find a manufacturer -- the manufacturer of  
6 a drive, a specific manufacturing plant, I would have to  
7 start talking to procurement, and they would probably  
8 talk with the quality department, since they are more  
9 involved in working with that plant.

10 QUESTION: Is it anyone in particular  
11 with those departments that you would talk to?

12 ANSWER: In the past, I have. I have  
13 talked to Mr. Bundlie, who has been mentioned in all the  
14 documents before. He was part of -- he was part of the  
15 procurement group that I worked at. And that has -- has  
16 all been, you know, changed. He doesn't work in that  
17 department anymore.

18 QUESTION: What was his name again?

19 ANSWER: Bundlie, B-U-N-D-L-I-E.

20 QUESTION: What department is he in now?

21 ANSWER: Right now?

22 QUESTION: Yes, sir.

23 ANSWER: It's something else in  
24 procurement, but I don't know exactly.

25 QUESTION: Am I correct that there was a

1 period in -- period of time in that 2003, 2004 timeframe  
2 when Dell bought optical disks from Quanta -- directly  
3 from Quanta?

4 ANSWER: I believe so.

5 QUESTION: And at some point, that  
6 changed, correct?

7 ANSWER: Yes.

8 QUESTION: And how did it change?

9 ANSWER: As an organization, we could not  
10 afford to work with a lot of individual suppliers  
11 anymore, and at that time, there were quite a few.  
12 The industry was starting to consolidate, and we asked  
13 our suppliers to look into also, you know, working with  
14 us through a larger organization.

15 So Philips, basically, took over the role  
16 of contact with us.

17 QUESTION: And that relationship where  
18 Philips took over the role of having the contact with  
19 Dell was approximately 2004 through 2007?

20 ANSWER: I believe it was somewhere in  
21 2005, but I -- right around that time. That's when the  
22 whole industry landscape started to change. It may have  
23 been a little later.

24 QUESTION: And then that relationship  
25 subsequently changed in 2007; is that correct?

1                   ANSWER: I'm not exactly sure what you're  
2 referring to, but Philips has had several joint venture  
3 setups. And during one of those changes, QSI did not  
4 offer their drives through Philips anymore.

5                   QUESTION: At some point it changed where  
6 QSI then offered its drives to Dell through Sony  
7 Optiarc?

8                   ANSWER: Correct.

9                   QUESTION: And today it's done through  
10 Sony Optiarc?

11                  ANSWER: As far as I know, yes.

12                  QUESTION: Do you know why that change  
13 occurred?

14                  ANSWER: I can very much speculate on it,  
15 yes.

16                  QUESTION: What do you think it is?

17                  ANSWER: There was a big thing going on  
18 between different corporations about what would be their  
19 best alignment, as far as manufacturing and technology,  
20 and there was a falling out of sorts between a company  
21 called LiteOn and Sony NEC.

22                  And so LiteOn and Philips realigned  
23 themselves together, and at that time, Sony NEC very  
24 much needed some additional slim drive capability, and I  
25 believe that's how the realignment happened.



1 QUESTION: And then Sony Optiarc  
2 realigned with QSI?

3 ANSWER: Correct.

4 QUESTION: Now, in order to manufacture  
5 and sell these drives through Philips or through Sony  
6 Optiarc to Dell, QSI actually had an employee here in  
7 Austin, Texas; is that correct?

8 ANSWER: This was a technical  
9 representative for QSI here to assist with any type of  
10 issues we might have, either during qualification or in  
11 troubleshooting afterwards.

12 QUESTION: And that was a Mr. Chuang or  
13 Chuang (pronouncing), C-H-U-A-N-G?

14 ANSWER: It's very possible.

15 QUESTION: Did you deal with that  
16 gentleman from QSI?

17 ANSWER: No, I didn't.

18 QUESTION: Did you ever meet him?

19 ANSWER: I probably did.

20 QUESTION: Did you participate in any of  
21 the PowerPoint presentations that Philips and QSI would  
22 present to Dell?

23 ANSWER: That's rather generic, but like  
24 I told you earlier, I would attend all concept and  
25 design reviews as possible. So I more than likely did

1 quite a few.

2 QUESTION: And you believe at those  
3 meetings that both a representative from Philips and a  
4 representative from QSI would attend those?

5 ANSWER: There usually was.

6 QUESTION: And when you say that this QSI  
7 representative would assist with technical issues, can  
8 you give us an idea of what type of technical issues  
9 would arise that he would deal with?

10 ANSWER: During qualification, for  
11 instance, there would be a mismatch between the drive  
12 and our operating system or some other -- some other  
13 software that we would basically have him come in, show  
14 him the problem, and he would do the first-line  
15 investigation and take the notes and take all that in  
16 and send that back to -- if necessary, send that back to  
17 his technical team.

18 QUESTION: And how is it that Dell would  
19 determine there was a mismatch?

20 ANSWER: I've seen a blue screen. Well,  
21 that's just an example. There are many different ways.  
22 You know, something can stop the function correctly.

23 QUESTION: Would that normally occur  
24 during testing?

25 ANSWER: It often occurs during testing.

1 We also have cases where, obviously, our users come back  
2 to us and report a problem.

3 Other groups that have been using the  
4 drive in some sort of application could come back and  
5 say that they ran into a difficulty.

6 So there's many avenues that as a group,  
7 we would get that information back. It was not  
8 necessarily always purposeful testing.

9 QUESTION: Some of it would occur during  
10 testing, correct?

11 ANSWER: Sure.

12 QUESTION: And would that testing occur  
13 in Austin?

14 ANSWER: Most of it actually would not.

15 QUESTION: Where would that occur?

16 ANSWER: The way our whole test  
17 philosophy works is that we push as much of the testing  
18 and any other work on to a supplier.

19 So the test plan would be largely  
20 executed at the supplier where they would have the  
21 equipment and the capabilities. And that could be  
22 either, you know, at their research, at their  
23 development facility, depending upon how that's  
24 organized.

25 Only when they did not have the equipment

1 available like a new PC that we haven't brought out yet  
2 or something like that would they come and test it in  
3 our facilities.

4 QUESTION: And when that occurred, that  
5 would be here in Austin?

6 ANSWER: Yeah, pretty much always.

7 QUESTION: And as far as you know,  
8 whenever there were mismatches and you needed  
9 Mr. Chuang's assistance -- technical assistance, would  
10 that be the result of testing occurring in Austin?

11 ANSWER: He would actually run that test  
12 if it happened in Austin.

13 QUESTION: And would he do that at a Dell  
14 facility?

15 ANSWER: Yes.

16 QUESTION: Does Mr. Chuang actually have  
17 an office at Dell?

18 ANSWER: No.

19 QUESTION: Do you know where he offices?

20 ANSWER: No.

21 QUESTION: Do you know if QSI has an  
22 office set up in Austin for Mr. Chuang?

23 ANSWER: I actually don't.

24 QUESTION: Do you have any idea on the  
25 frequency that Mr. Chuang would visit Dell with respect

1 to testing or any other technical support?

2                   ANSWER: I would say that during  
3 development of a drive in a particular month, he would  
4 be there for a couple of weeks, and after that, it would  
5 be as needed, and that would be irregular.

6                   QUESTION: Can you give me a time period  
7 that you're aware of Mr. Chuang being QSI's  
8 representative here in Austin?

9                   ANSWER: No, I didn't have that  
10 relationship.

11                   QUESTION: As far as you know, has he  
12 been here from 2003 to the present?

13                   ANSWER: I couldn't tell.

14                   QUESTION: You said that also errors or  
15 mismatches may occur and be brought to Dell's attention  
16 from users. Are you referring to the end-user, your  
17 customers?

18                   ANSWER: Correct. Usually, corporate  
19 customers.

20                   QUESTION: And so these corporate users  
21 would attempt to use the optical drive and run into some  
22 type of problem?

23                   ANSWER: Right.

24                   QUESTION: And they would contact Dell  
25 and notify them of that problem?

1                   ANSWER:   Correct.

2                   QUESTION:   Tell me the process of what  
3 would happen when that would occur with this -- with  
4 respect to the corporate end-user.

5                   ANSWER:   It's not at a -- at the front  
6 end, there's no real specific process, but the way we  
7 would end up being aware of it is when our IPS person,  
8 which is the person that is responsible for chasing down  
9 any -- any of these type of issues that occur -- mostly  
10 on corporate, but it could happen also if it's a large  
11 scale -- at a consumer, this ideal, and they would be  
12 aware of an issue that a large customer had difficulty  
13 with, and they would bring that to our attention.

14                   We would ask them to do a capture of that  
15 particular drive or system, and then we would address  
16 it.

17                   QUESTION:   And, in fact, when you would  
18 address it, there were times when you would address it  
19 with Mr. Chuang from QSI?

20                   ANSWER:   Pretty much always.   If there  
21 was reason for us to identify the optical drive as a  
22 participant in that problem, then he would always --  
23 then the local representative, as we would call it,  
24 would be pulled in to witness and to do any initial  
25 testing that they would be capable of and then transfer

1 it -- all that data to their engineering department.

2 QUESTION: And so Mr. Chuang from QSI  
3 would be called in to participate, would be told that  
4 the end-user used the drive, ran into difficulties,  
5 here's the problem he had, and here's the issue we need  
6 to deal with?

7 ANSWER: Yeah.

8 QUESTION: Are you aware of whether or  
9 not there are other entities manufacturing optical  
10 drives for Sony Optiarc that are being sold to Dell  
11 other than QSI?

12 ANSWER: Sony NEC manufactured drives as  
13 their joint venture. They talked to us about possibly  
14 having others manufactured for them, but we have never  
15 had any drives come to us other than that were  
16 manufactured by Sony NEC or QSI.

17 QUESTION: How about the same question  
18 with respect to Philips when they were selling drives to  
19 Dell?

20 ANSWER: That's possible. I just don't  
21 know for sure. There are contract manufacturers that  
22 sometimes do do drives.

23 QUESTION: Are you aware of any, other  
24 than QSI, that you know Dell purchased?

25 ANSWER: Not -- no.

1                   QUESTION: I want to talk to you for just  
2 a minute about part numbers that end up on the optical  
3 drives that are in the computers? Do you understand the  
4 process of when a part number may be put on a drive and  
5 by whom?

6                   ANSWER: I'm somewhat familiar with it.  
7 I mean, not completely, no.

8                   QUESTION: Tell me what you know about  
9 that.

10                  ANSWER: As we -- and let me qualify a  
11 drive. The drive will be put into -- into one of our  
12 PCs, and different PCs often have different ways that  
13 the drive gets attached, also different PCs will have a  
14 requirement that the drive has a different front,  
15 different bezel.

16                  For each one of those configurations  
17 during the development of the development project that  
18 we have, we assign a part number for that configuration  
19 for that supplier, and that part number ends up -- it --  
20 on the drive and ends up in our system.

21                  QUESTION: Well, you're aware that there  
22 are hubs in the United States that Dell obtains optical  
23 disks from, correct?

24                  ANSWER: That's correct.

25                  QUESTION: And in fact, when Philips or



1 when Optiarc sells optical drives to Dell, they're  
2 delivered to a hub?

3 ANSWER: That's correct.

4 QUESTION: And from your -- I'm getting  
5 most of this from your prior testimony, but it's your  
6 understanding that there are at least three hubs in the  
7 United States which would house or warehouse these  
8 optical drives?

9 ANSWER: That's right.

10 QUESTION: And when Dell is in need of an  
11 optical drive, it would go to the hub and get delivery?

12 ANSWER: It will pull from that hub, yes.

13 QUESTION: With respect to who owns the  
14 hub or who leases the hub, do you have any information  
15 at all as to that?

16 ANSWER: Not other than just casual.

17 QUESTION: What's your understanding of  
18 who leases the hub?

19 ANSWER: The supplier does.

20 QUESTION: The supplier.

21 And so, for example, it would be either  
22 Optiarc or Philips that would be leasing the hub, as far  
23 as you know?

24 ANSWER: Leasing the -- leasing space in  
25 that building.

1 QUESTION: And I also take it from your  
2 earlier deposition, you haven't seen the contracts, for  
3 example, between QSI and Philips or QSI and Optiarc?

4 ANSWER: No.

5 QUESTION: And so to the extent that  
6 contract dealt with who pays for hubs or other matters,  
7 you're not aware of that?

8 ANSWER: No.

9 QUESTION: Or, for example, when title  
10 changes hands between those -- the supplier and the  
11 manufacturer?

12 ANSWER: Exactly right, no.

13 QUESTION: Have you been to one of these  
14 hubs?

15 ANSWER: No. They do change, too, over  
16 time.

17 QUESTION: Do you know where any of them  
18 are located?

19 ANSWER: I know there's one in Austin.  
20 There's one in Nashville. There is one in -- close to  
21 our North Carolina facility.

22 QUESTION: And with respect to the one in  
23 Austin, do you know, for example, what street it's  
24 located on?

25 ANSWER: No, I actually don't.

1                   QUESTION: Is it your understanding that  
2 all of the optical drives purchased by Dell are  
3 delivered through these hubs?

4                   ANSWER: The only reason I'm hesitating  
5 is that -- are you referring to the hubs in the United  
6 States now, or are you referring to hubs in general?

7                   QUESTION: Let's start with the hubs in  
8 the United States, the three that you're aware of.

9                   Is it your understanding that all of the  
10 purchases by Dell in the United States of optical drives  
11 come through these hubs?

12                  ANSWER: Yes.

13                  QUESTION: Well, you're not aware of any  
14 optical drives purchased by Dell in the United States  
15 from any entity that don't come through the hubs?

16                  ANSWER: I know that our process, our  
17 manufacturing and purchasing process, calls for the  
18 parts to be in a hub and us pulling from that.

19                  QUESTION: Now, you mentioned that there  
20 are also hubs outside the United States, correct?

21                  ANSWER: Yes.

22                  QUESTION: Tell me what you know about  
23 where those are located.

24                  ANSWER: I really don't know anything  
25 about those. Those are related to -- mostly to our

1 laptop manufacturing, and our laptop manufacturing is  
2 largely contract manufacturing with other companies, and  
3 I just don't know exactly how the drives that go into  
4 laptops are being pulled.

5 QUESTION: Are you aware of any optical  
6 drives delivered to Dell at a hub outside the United  
7 States that is then shipped to the United States?

8 ANSWER: I can't answer that question  
9 very well. The drives that are being put into  
10 notebooks -- our notebooks are manufactured outside the  
11 United States -- are somehow obtained by the  
12 manufacturer outside of the United States.

13 In most cases, that manufacturer -- well,  
14 we do some of it ourself, I believe -- I don't know for  
15 sure, but in most cases, that is a contract manufacturer  
16 that also obtains those drives.

17 We identify those drives, we specify  
18 them, but I do not know how the purchase relationship  
19 and the -- how they're being obtained.

20 QUESTION: Do you know whether or not  
21 those drives are being purchased from any of the  
22 entities listed on Exhibit A?

23 ANSWER: We would specify that these  
24 drives are obtained from these. That's our overall --  
25 overall relationship. But, you know, overseas -- and

1 for notebooks, all of those optical drives are being put  
2 in overseas and mostly by contract manufacturer.

3 QUESTION: So make sure I fully  
4 understand. The optical drives that are delivered to  
5 the hubs in the United States are being put by Dell and  
6 sold into desktop computers?

7 ANSWER: That's right.

8 QUESTION: And all of the laptops that  
9 Dell sells that contain an optical disk are being  
10 purchased or input into the laptop from hubs outside the  
11 United States, correct?

12 ANSWER: Over the previous years, yes. I  
13 don't know how it was in the real early years.

14 QUESTION: And these drives being put  
15 into the laptops and sold into the United States are  
16 similarly being purchased from Philips/QSI and  
17 Optiarc/QSI?

18 ANSWER: They are the same drives we have  
19 over all purchase arrangements on them. I just don't  
20 know when effectively we would take possession of them.

21 QUESTION: Would Mr. Chuang, who's here  
22 in Austin, would he also deal with optical drives in a  
23 laptop that would have a mismatch or a problem?

24 ANSWER: If the problem occurs here, if  
25 we obtain it, if it comes to our facility, he would.

1                   There's many cases also where it would be  
2 overseas, and they must have other representatives  
3 there.

4                   QUESTION: Is it your testimony that the  
5 qualification process for the drives that are placed  
6 into laptops occurs here in Austin?

7                   ANSWER: We establish the development  
8 process here. A lot of the testing, like I said before,  
9 is being done at the supplier, which would usually not  
10 be here. There will be some testing occasionally in our  
11 labs with platforms, PCS, that are not available because  
12 they're not -- they can't be purchased yet at that time.

13                   QUESTION: Ultimately, it's the  
14 engineering department or a department in Dell in  
15 Austin, Texas, that qualifies the drive prior to it  
16 being manufactured and put into a laptop and sent to the  
17 United States?

18                   ANSWER: We are overall responsible for  
19 it. We sign off on, basically -- we identify the test  
20 being done and that they've been done correctly, yes.

21                   QUESTION: About how many times a year  
22 would Dell have a joint meeting with Philips and QSI or  
23 Optiarc and QSI to discuss the purchase and manufacture  
24 of the drive?

25                   ANSWER: We have quarterly business

1 meetings on both performance of the supplier and on  
2 outlook for new drives and -- they're in our plans.

3 Those would not necessarily be business  
4 meetings in which we would determine which drives will  
5 be purchased or qualified. It's more at the level set  
6 as to what's possible.

7 QUESTION: So they would make a  
8 presentation to Dell of what is available, and then Dell  
9 would make an internal decision on which ones to  
10 purchase and notify the supplier and the manufacturer?

11 ANSWER: In a nutshell, yes.

12 QUESTION: And when you have these  
13 quarterly meetings, they would deal not only with the  
14 drives that are being placed into desktops, but also  
15 those being put into laptops?

16 ANSWER: Yes.

17 QUESTION: Do you know again -- just an  
18 estimate of the drives -- that are placed in a Dell  
19 computer, a rough percentage of which ones are combo or  
20 DVD drive versus another type?

21 ANSWER: That's time-dependent.

22 QUESTION: How about today?

23 ANSWER: Today about -- on the consumer  
24 side, about 80 percent of all drives are DVD-RW drives  
25 and going up, even on the business side, which is our

1 largest business, that's far less than that.

2 Then we probably look at combo drives  
3 still being the majority of drives that go in.

4 QUESTION: Whether it be commercial or  
5 individual?

6 ANSWER: No, no. What I'm saying is for  
7 our corporate business, which is now between 70 and 80  
8 percent of our business is still more the combo -- the  
9 combo DVD-ROM drives that go in, not a DVD-RW.

10 QUESTION: Once the optical drive is  
11 placed in the laptop, is the combination then sent to a  
12 hub in the United States?

13 ANSWER: I believe so. I don't think we  
14 have direct deliveries from overseas to our customers.

15 QUESTION: With respect to those laptops,  
16 do you know whether or not the supplier -- or the  
17 manufacturer would be the one sending it to the hub in  
18 the United States?

19 ANSWER: No, I don't.

20 QUESTION: I saw testimony in your  
21 deposition from last year that there are some FCC  
22 regulations that these drives have to comply with; is  
23 that correct?

24 ANSWER: You bet.

25 QUESTION: Can you tell me a little bit



1 about what those are.

2 Well, I mean, what regulations are you  
3 aware of that these drives have to be compliant with?

4 ANSWER: Emissions, safety, those type.

5 QUESTION: And this is done, as far as  
6 you know, either by the supplier or the manufacturer  
7 obtaining the certificate of compliance?

8 ANSWER: That's correct.

9 QUESTION: And then that certificate is  
10 forwarded on from the supplier or manufacturer to Dell?

11 ANSWER: They make it available to us,  
12 yes.

13 QUESTION: Do you know whether or not  
14 these FCC regulations are specific to drives that are  
15 coming into the United States?

16 ANSWER: I don't understand the question.

17 QUESTION: Do you know, in the design of  
18 the drive, whether or not the manufacturer would have to  
19 do anything different, with respect to a drive coming  
20 into the United States, in order for it to comply with  
21 the FCC regulations?

22 ANSWER: Versus drives that don't come  
23 into the United States?

24 QUESTION: Correct.

25 ANSWER: Different countries have

1 different requirements. That wouldn't be the FCC,  
2 obviously. But we do have different requirements for  
3 different countries. But we make all of our drives meet  
4 all of those requirements of countries that we  
5 anticipate shipping to.

6 QUESTION: Does Dell sell any optical  
7 drives separate and apart from the computer?

8 ANSWER: We have -- give our customers an  
9 option on -- after they have purchased a computer, to  
10 buy an additional drive or replacement drive through out  
11 SMP website, yes.

12 QUESTION: Are the vast majority of the  
13 optical drives sold with the computer?

14 ANSWER: Yeah.

15 QUESTION: And these -- the few that are  
16 sold separately through your website, again, would those  
17 be supplied and manufactured by the entities listed on  
18 Exhibit 3 and coming from the hubs?

19 ANSWER: Yes, because we couldn't  
20 differentiate. We would go by part number, and we would  
21 have a number of part numbers that would be compatible  
22 with a particular computer.

23 QUESTION: Let me go through a few  
24 exhibits with you. And you had a chance to at least --

25 ANSWER: I glanced over them.

1 QUESTION: Glanced at these this morning?

2 ANSWER: Yeah, real quick.

3 QUESTION: A handful of these were used  
4 in your deposition last year, so you may be somewhat  
5 familiar with them, but let me go ahead and get the  
6 court reporter to mark all of these and save a little  
7 time.

8 Let me show you what the court reporter  
9 has marked as Deposition Exhibit No. 4. Can you tell me  
10 what that document is?

11 ANSWER: That is a presentation made to  
12 us during a design review of the device that's shown  
13 there, the 24X Lead-Free Combo.

14 QUESTION: And this represents a  
15 presentation done by Philips and QSI here in Texas in  
16 April 2006?

17 ANSWER: Yes.

18 QUESTION: And you believe, during this  
19 presentation, there would have been a representative  
20 from Philips, representative from QSI, and a  
21 representative from Dell?

22 ANSWER: Definitely from Dell; definitely  
23 at least one from Philips or QSI. Usually, there were  
24 from both -- from both companies just for the background  
25 information.

1 QUESTION: Do you --

2 ANSWER: I can't specify specifically,  
3 for this particular design review, who was there.

4 QUESTION: Do you believe that that  
5 representative from QSI would have been Mr. Chuang?

6 ANSWER: He would have likely been there,  
7 also, yes.

8 QUESTION: This particular design review  
9 that we're looking at, would this be for an optical  
10 drive going into a desktop or a laptop or both?

11 ANSWER: Both.

12 QUESTION: When the relationship with QCI  
13 charged to Optiarc, would there similarly be full -- or  
14 design reviews similar to Exhibit No. 4 with respect to  
15 Optiarc and QSI?

16 ANSWER: For any subsequent drive?

17 QUESTION: Yes, sir.

18 ANSWER: Yes, if we had taken a drive  
19 from Optiarc that was manufactured by QSI because  
20 Optiarc, other than Philips, also had a line of their  
21 own slim drives.

22 QUESTION: And that, in fact, occurred  
23 after at least this time period that we're looking at?

24 ANSWER: Sometime after this, yes.

25 QUESTION: Let me show you Exhibit No. 5.

1 Same question. If you could just identify that for us.

2 ANSWER: A document handed to us for a  
3 design review by Philips of a Philips QSI DVD writer, a  
4 slim DVD writer. We would identify that as a DVD-RW  
5 drive.

6 QUESTION: And, again, it looks like this  
7 design review presentation was made in October of 2005?

8 ANSWER: It looks like it, yes.

9 QUESTION: And same question. Would this  
10 be a drive that could be in either a desktop or a  
11 laptop?

12 ANSWER: Yes.

13 QUESTION: Same question with respect to  
14 Exhibit No. 6.

15 ANSWER: Design review handed off to us,  
16 and this would be January 2005 for a Philips QSI drive,  
17 in this case, a combo -- a combo drive.

18 QUESTION: May I see that one second?

19 Look on the third page of Exhibit No. 6  
20 where it says current shipping under one column and  
21 future model under the next.

22 Can you tell me what that means?

23 ANSWER: We would get the subsequent  
24 models of, you know, similar functionality for cost --  
25 mostly for cost reasons; sometimes for performance

1 reasons, as noted.

2 State of the art in the industry would  
3 change, so current shipping would be the model that we  
4 were -- we were shipping at the time, and the future  
5 model is the one under design review here meant to  
6 replace it.

7 QUESTION: So when we see Model No.  
8 CDD5263, that would be the model that as of January 2005  
9 was being manufactured by QSI and sold to Dell?

10 ANSWER: It would be their model number,  
11 yes, and it would be the model number assigned to it by  
12 Philips. They had a peculiarity that they would want to  
13 have their own model numbers on there.

14 QUESTION: And when you say they, you're  
15 referring to Philips?

16 ANSWER: That would be Philips.

17 QUESTION: And when you say peculiarity,  
18 is that because that's different than the way other  
19 companies dealt with model numbers?

20 ANSWER: Others have done it that way.  
21 They just took the model number as is.

22 QUESTION: Do you know, just by looking  
23 at this document, whether or not this future model was,  
24 in fact, purchased by Dell?

25 ANSWER: I can't say that for sure.

1 Typically, if -- if you take the -- if you really go to  
2 the point where we do a design review, we are already in  
3 that process with full intent unless something -- you  
4 know, something serious prevented us from doing it. So  
5 it was fully the intent to take it at that point.

6 QUESTION: Are you aware, as you sit  
7 here, of any design reviews with either Philips/QSI or  
8 Optiarc/QSI that were rejected?

9 ANSWER: Actually, I don't know for sure,  
10 but I do seem to recall where there's one case where we  
11 went through a significant design review -- significant  
12 part of our process with Philips/QSI, and for some  
13 reason, we discontinued that, but I can't tell you that  
14 for absolutely sure anymore.

15 QUESTION: And the same answer, I assume,  
16 with respect to all these design reviews, that there  
17 would have been at least a representative from Dell,  
18 from Philips, and from QSI?

19 ANSWER: That's right.

20 QUESTION: Let me show you what we've  
21 marked as Exhibit No. 7. Can you identify that?

22 ANSWER: Yes. That's a report of a test  
23 that's done relatively early in our qualification  
24 process. It's when a drive first comes -- becomes  
25 available, and it isn't completed yet as far as all its

1 appropriate firmware, but there's an initial look at it  
2 and a certain number of simple tests are being done with  
3 the drive to evaluate that it generally is appropriate  
4 for our purpose.

5                   That test is sometimes run in Austin for  
6 convenience. I've seen also engineers ask that the  
7 supplier run the test and sends us the information.

8                   QUESTION: Would this particular  
9 feasibility test that we're looking at with Exhibit 7 --  
10 I assume that would occur after the design review of the  
11 same model number?

12                   ANSWER: No. Actually, the feasibility  
13 test runs before the design review, typically, shortly  
14 after a concept review.

15                   QUESTION: These Philips feasibility test  
16 reports, would they -- would a copy of them then be  
17 forwarded to Philips and QSI?

18                   ANSWER: Yeah. We share all that  
19 documentation.

20                   QUESTION: Looking at the bottom of the  
21 first page of Exhibit No. 7, it says a number of samples  
22 to test, 2. Those would be samples that would be  
23 shipped to Dell from QCI?

24                   ANSWER: If the test is done at -- at  
25 Dell, yes.



1                   QUESTION: And as far as you know, there  
2 were, in fact, some of these tests done at Dell,  
3 correct?

4                   ANSWER: That's correct.

5                   QUESTION: And when we're looking at  
6 Exhibit No. 7, can you tell if this was, in fact, the  
7 test done at Dell?

8                   ANSWER: I was trying to go over it, and  
9 I really can't. Sometimes you find it with somebody's  
10 name on it, which will tell you, but in this particular  
11 case, no, I can't tell you one way or the other.

12                  QUESTION: Let me ask you to identify  
13 Exhibit No. 4 -- I'm sorry -- 8.

14                  ANSWER: Okay.

15                  QUESTION: Can you tell us what Exhibit 8  
16 is?

17                  ANSWER: Yes. This is the format for our  
18 qualification test plan in which we lay out the tests  
19 that the supplier or Dell will do in order to fully  
20 qualify the device. So it shows no -- what drives to  
21 use.

22                  In addition to the drive of the test, it  
23 shows what computers to use, what type of software, what  
24 type of tests are to be run.

25                  QUESTION: And at what stage in the

1 process would this qualification test plan be done?

2                   ANSWER: The test plan is set up shortly  
3 after -- after the concept review has been held, and  
4 typically, after a feasibility test has already gone  
5 through. And it basically is a -- sort of an  
6 engineering contract, if you will, between the Dell  
7 engineer and the supplier as to know what tests are  
8 going to be done.

9                   QUESTION: And Exhibit No. 8 reflects  
10 that this particular document was prepared by Michael  
11 Chuang?

12                   ANSWER: Right.

13                   QUESTION: And he is the QSI employee  
14 that is stationed here in Austin?

15                   ANSWER: He's -- he was at least for a  
16 certain number of years, yes.

17                   QUESTION: And if you'll look to the  
18 fourth page of Exhibit No. 8, I believe at the bottom  
19 it's Bates stamped 020233.

20                   Do you see that?

21                   ANSWER: Yes, yeah, uh-huh.

22                   QUESTION: Under Paragraph No. 4,  
23 Technical Risks, it shows several testing procedures  
24 that are to be performed by QSI, correct?

25                   ANSWER: That's right.

1                   QUESTION: And then under Paragraph 5,  
2 that bottom paragraph, where it says Philips/QSI  
3 personnel, it appears from the e-mail addresses that all  
4 of those individuals are, in fact, QSI employees,  
5 correct?

6                   ANSWER: It does, yes.

7                   QUESTION: And you understand that the  
8 e-mail address, that qsitw, to be Quanta Storage in  
9 Taiwan?

10                  ANSWER: Yes.

11                  QUESTION: And this also includes  
12 Mr. Chuang?

13                  ANSWER: Yes, but an e-mail address can  
14 be handled -- you understand that -- to write through  
15 your corporation locally or somewhere else.

16                  QUESTION: When you say that Dell and  
17 Philips and QCI or Dell and Optiarc and QSI share a lot  
18 of these documents with respect to testing or  
19 qualification test plans, how is that accomplished?

20                  ANSWER: That's a good question. The  
21 overall responsibility for the document is from the Dell  
22 lead engineer. Quite often, he has the supplier or its  
23 technical representative come up with the first pass on  
24 the document, and then he makes the appropriate changes,  
25 and then they agreed on it.

1           That's why you saw Mr. Chuang's name on  
2 the docket. These documents get typically shared within  
3 Dell with a few of the engineers that need to be aware  
4 of what's going on, such as reliability, et cetera.  
5 And I'm sure that they also get shared amongst the  
6 technical representatives for Philips or Philips/QSI, if  
7 you will.

8           So just as it's difficult for them to  
9 assess who we share that document with internally, it's  
10 not very well possible for me to say exactly who would  
11 see that document and who will not.

12           QUESTION: Is it a fair statement that  
13 with respect to a particular optical drive manufactured  
14 by QSI that Dell ultimately purchases that QSI, Philips,  
15 and Dell would have access to the documentation with  
16 respect to that drive?

17           ANSWER: Yes.

18           QUESTION: And let me back up for a  
19 second and ask you a question on the laptops where the  
20 drive is inserted outside the United States and then  
21 shipped to the United States.

22           Would that also have to go through the  
23 FCC compliance certificate?

24           ANSWER: There are individual tests for a  
25 drive that goes -- well, the drive goes through the

1 compliance test for the certificates irrespective of how  
2 it is shipped, and for some tests, the drive has to  
3 actually be in the particular platform to assess.

4 QUESTION: Let me show you what we have  
5 marked as Exhibit No. 9. Can you tell us what Exhibit 9  
6 is.

7 THE COURT: Mr. Sankey, are we close or  
8 not?

9 MR. SANKEY: Your Honor, we are very  
10 close. One more page.

11 ANSWER: This is the checklist that we  
12 ask our suppliers to fill out relative to our optical  
13 drive specifications. It's an attachment to our optical  
14 drive specification, but it has no -- the same line item  
15 is in there as are in our spec, and the supplier  
16 effectively signs off in here that they meet all of our  
17 requirements, and if they don't, they have to also show  
18 that they don't.

19 QUESTION: Do you know if this is a  
20 document that is filled out by Philips or QSI?

21 ANSWER: Yes.

22 QUESTION: And then if you take a look at  
23 the last page of this exhibit, does that reflect that it  
24 is actually being forwarded to Dean Hendrickson at Dell  
25 from Michael Chuang at QSI?

1                   ANSWER: Yes, it does.

2                   QUESTION: And he's cc'd a number of  
3 people from either Philips or QSI, correct?

4                   ANSWER: Correct.

5                   QUESTION: And then on the first page of  
6 that exhibit, where it says supplier information for  
7 technical contact, it lists Mr. Chuang from QSI?

8                   ANSWER: It does.

9                   QUESTION: And it shows his QSI e-mail  
10 address?

11                  ANSWER: Yes, it does.

12                  QUESTION: And also it has a phone number  
13 from him, which is an Austin area code?

14                  ANSWER: That's right.

15                  QUESTION: Are you aware of any other  
16 participation by Mr. Chuang in this process other than  
17 what you've testified to this morning, as far as working  
18 with Dell and Philips on the technical side and  
19 assisting whenever problems occur with a drive?

20                  ANSWER: That's -- that's pretty much a  
21 good definition for what he would do.

22                  QUESTION: Exhibit No. 10, if you could  
23 identify that, please, sir.

24                  ANSWER: This is a copy of the Philips  
25 specification for this drive for the SCB5265.

1 QUESTION: And this would be a drive  
2 manufactured by Quanta or QSI?

3 ANSWER: I'm pretty sure I saw that same  
4 number on some of your earlier documentation.

5 QUESTION: And if you look at the top of  
6 the exhibit, it shows that the document's original  
7 department author was QSI?

8 ANSWER: Where do I -- oh, right, right,  
9 right. I missed that line, yes.

10 QUESTION: Do you know chronologically if  
11 this was at or about the time of the beginning of the  
12 relationship where Dell was purchasing Quanta-  
13 manufactured computers through Philips?

14 And I'll state for the record this  
15 document is dated January 7th of 2004.

16 ANSWER: Typically, we receive this type  
17 of document towards the end of our development cycle  
18 with them. Because at that point, all of the properties  
19 of the drive have been established and agreed to.

20 And this is when they then give us a  
21 final version of that, so that would be shortly before  
22 we would start to ship this particular drive, yes.

23 QUESTION: And what time period are we  
24 talking about: A six-month, nine-month time period from  
25 this, or from the beginning of concept until delivery?

1                   ANSWER: If this were a regular, standard  
2 project, then we would receive this approximately  
3 between -- about two months or so before we would start  
4 shipping.

5                   And I'm saying specifically if this were  
6 a regular project, because the first -- early projects  
7 we did with QSI were not easy. They were a new  
8 supplier, and we -- it took sometimes longer and didn't  
9 go fully regularly, but, typically, this would be about  
10 two months before.

11                  QUESTION: And the next question is, when  
12 chronologically would this document come vis-a-vis a  
13 concept review?

14                  ANSWER: Way -- way after, months.

15                  QUESTION: Six months, nine months?

16                  ANSWER: Like I said, this is -- if this  
17 is one of the very earliest projects, they could have  
18 run longer, but on a typical project, we run about six  
19 months. This would come four to five months after the  
20 concept review.

21                  QUESTION: The end-user consumer  
22 specifies what type of drive they desire in their  
23 computer when they order from Dell, correct?

24                  ANSWER: Yeah. Essentially, yes.

25                  QUESTION: And the vast majority request



1 a DVD drive in their computer?

2 ANSWER: Again, that's time-dependent.

3 QUESTION: Today?

4 ANSWER: Today, as far as I know, on the  
5 consumer side, the vast majority of our laptops go out  
6 with a DVD-RW in it. On the corporate side, that's  
7 still not the case.

8 QUESTION: The fact that a drive  
9 automatically identifies what type of disk is placed in  
10 the drive, is that one of the quality benefits that  
11 enables or assists in selling the drive?

12 ANSWER: I'm not sure how to answer that.

13 QUESTION: Well, how many years have you  
14 been involved, in one way or the other, with the design  
15 of drives, optical disks?

16 ANSWER: 29 years.

17 QUESTION: Would you agree that not  
18 having to manually identify what type of disk is placed  
19 in a drive is a benefit?

20 ANSWER: It's an anticipated -- it's an  
21 anticipated property of the device.

22 QUESTION: And when you say anticipated,  
23 anticipated by whom?

24 ANSWER: By us, for our consumers.

25 QUESTION: And likewise, I assume it's

1 anticipated by the customer?

2 ANSWER: Yes.

3 QUESTION: If you would look at Exhibit  
4 No. 3 again, please, I believe I have this answered off  
5 the record but not on.

6 So let me ask you, with respect to some  
7 of the acronyms contained on this exhibit, do you know  
8 what any of those are; for example, GP Quanta or ASD  
9 only, ASL?

10 ANSWER: No. I looked at it earlier.  
11 No.

12 QUESTION: Do you know who or what  
13 department would know that information?

14 ANSWER: No. I don't know what the  
15 acronym is.

16 QUESTION: You testified in your last  
17 deposition that a lot of the testing is being moved  
18 outside the United States; is that correct?

19 ANSWER: That's right.

20 QUESTION: Now, is that the result of a  
21 decision made by Dell, or is that the result of a  
22 decision made by your supplier or your manufacturer?

23 ANSWER: It's Dell desire. It's a cost  
24 issue.

25 QUESTION: With respect to the

1 documentation that is shared between Dell, Philips, or  
2 Optiarc and QSI, do you know whether or not those are  
3 scored on a site that is available to those in -- to all  
4 of those entities?

5 ANSWER: Some of it is during the  
6 interchange we have on engineering issues, but most of  
7 it is not available to everybody.

8 QUESTION: How much of the communication  
9 from your department with QSI would occur through  
10 e-mail?

11 ANSWER: It's hard to say -- hard to give  
12 you a percentage, but I'm sure quite a bit.

13 QUESTION: Would that communication  
14 generally, again, include Dell, the supplier, and the  
15 manufacturer?

16 ANSWER: Depends on the subject.

17 QUESTION: With respect to your  
18 department and -- or your -- the engineering department,  
19 would that generally include all of the parties?

20 ANSWER: Any e-mails regarding a  
21 qualification would -- like you saw on that example  
22 e-mail, would be shared between the relevant parties and  
23 the qualification process.

24 And so usually would be, you know,  
25 support engineer from QSI and often another engineer

1 from Philips or Optiarc, and then our own people, yes.

2 QUESTION: Is there a particular  
3 individual or anyone whose name you know that would  
4 participate in these reviews here in Austin from either  
5 Philips or Optiarc? Do you know the names of any of  
6 those individuals?

7 ANSWER: I can't give you that in  
8 general. Over time, names have changed, and  
9 participation has changed.

10 QUESTION: Do you recall any of those  
11 individuals?

12 ANSWER: You saw on the -- on a lot of  
13 the reports here, you know, there's also a product --  
14 you know, from the commercial side manager. So on the  
15 Philips side, for years, that's been Billy Reynolds.

16 QUESTION: How about from Optiarc?

17 ANSWER: I can't think of anybody  
18 offhand.

19 QUESTION: The gentleman from Philips, do  
20 you know where he's is located?

21 ANSWER: He left -- he left Philips, so I  
22 don't know.

23 MR. SANKEY: Your Honor, that is the end  
24 of the deposition of the Dell representative.

25 THE COURT: Thank you.

1 Ladies and Gentlemen, we're going to  
2 break for the day. Remember my instruction. It's very  
3 important that you not discuss this case with anyone  
4 or -- by anyone, I'm talking about your family, your  
5 friends, because I can assure you, if you ever start  
6 telling them what kind of case it is, they're going to  
7 say, I heard something about a case like that or  
8 something that you just don't need to hear. So don't  
9 discuss it.

10 Don't attempt to do any research on the  
11 internet, and remember my instructions. And have a safe  
12 evening, and I'll see you in the morning, and we'll  
13 start up at 8:30.

14 You may leave.

15 Mr. McAteer?

16 (Jury out.)

17 THE COURT: All right. Everyone please  
18 be seated.

19 In the event you're interested, Plaintiff  
20 has used 4 hours and 21-1/2 minutes, the best I can see,  
21 and the Defendants have used 1 hour and 1-1/2 minutes.  
22 That's where we are.

23 See you in the morning at 8:30.

24 COURT SECURITY OFFICER: All rise.

25 (Court adjourned.)

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct transcript from the stenographic notes of the proceedings in the above-entitled matter to the best of my ability.

/s/\_\_\_\_\_  
SUSAN SIMMONS, CSR  
Official Court Reporter  
State of Texas No.: 267  
Expiration Date: 12/31/10

\_\_\_\_\_  
Date

/s/\_\_\_\_\_  
JUDITH WERLINGER, CSR  
Deputy Official Court Reporter  
State of Texas No.: 731  
Expiration Date: 12/31/10

\_\_\_\_\_  
Date

/s/\_\_\_\_\_  
SHELLY HOLMES  
Deputy Official Court Reporter  
State of Texas No.: 7804  
Expiration Date: 12/31/10

\_\_\_\_\_  
Date